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# Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

Maine Department of Administrative and Financial Services

Office of the State Controller

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# MAINE



*Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2010*

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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# **STATE OF MAINE**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**JOHN ELIAS BALDACCI**  
*Governor*

**ELLEN JANE SCHNEITER**  
*Commissioner*  
*Department of Administrative & Financial Services*

**TERRY E. BRANN, CPA**  
*State Controller*

*Prepared by the Office of the State Controller*

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Office of the State Controller  
Financial Reporting and Analysis Division  
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**STATE OF MAINE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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# INTRODUCTORY SECTION

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STATE OF MAINE  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES  
**OFFICE OF THE STATE CONTROLLER**  
14 STATE HOUSE STATION AUGUSTA, ME 04333-0014

ELLEN JANE SCHNEITER  
COMMISSIONER



TERRY BRANN, CPA  
STATE CONTROLLER

December 21, 2010

**To the Honorable John Elias Baldacci, Governor,  
The Honorable Members of the Legislature, and  
Citizens of the State of Maine**

We are pleased to present the State of Maine's Fiscal Year 2010 (FY2010) Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

## **INTRODUCTION TO THE REPORT**

### **Responsibility**

The OSC is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with GAAP. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary to enable the reader to gain a reasonable understanding of Maine's financial position and activities.

### **Adherence to Generally Accepted Accounting Principles**

As required by State statute, we have prepared the CAFR in accordance with GAAP applicable to State and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports.

### **Format of Report**

This CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains this letter including an overview of current initiatives, the list of principal elected and appointed officials, and the State government organization chart. The Financial Section contains: the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and component units, together with notes to the financial statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules, schedules of pension funding progress, other post-employment benefit plans funding progress, and information about infrastructure assets; and the supplemental financial data, which includes the combining financial statements and schedules.

This letter of transmittal is designed to complement MD&A where the financial analysis is now presented. The State's MD&A can be found immediately following the Independent Auditor's Report from the State Auditor. The Statistical Section contains selected trend information, and statistical data on financial, economic and demographic measures.

### **Internal Control Structure**

The OSC prepared these financial statements and assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the OSC has established a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State of Maine's financial statements in conformity with GAAP.

Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As a recipient of federal financial assistance for federal programs, the State is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these federal programs. The internal control structure is subject to periodic evaluation by management and by the State Department of Audit as part of the annual Single Audit.

### **Independent Auditors**

Pursuant to Title 5 MRSA § 243, the State Auditor has performed an examination of the Basic Financial Statements in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. The auditor's opinion is presented in the financial section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the Basic Financial Statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The State Auditor rendered an unqualified opinion on the Basic Financial Statements for this fiscal year.

Also, pursuant to § 243 the State Auditor has undertaken a Single Audit of the State as a whole, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, as required by federal law. The standards governing Single Audit engagements require the auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements involving the administration of federal awards. This statewide federal Single Audit Report, including the auditor's opinion in accordance with generally accepted government auditing standards, is published separately.

The State Auditor is statutorily mandated to audit all accounts and other financial records of State Government or any department or agency of State Government, including the judiciary and the Executive Department of the Governor, except the Governor's Expense Account, and to report annually, and at such other times as the Legislature may require.

### **Management's Discussion and Analysis (MD&A)**

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The State of Maine was the twenty-third state admitted to the Union on March 15, 1820 under the Missouri Compromise. By this time the population of Maine had reached nearly 300,000. The newly admitted state had nine counties and 236 towns. The city of Portland was the original site of the capital of Maine upon its admission to the Union. The Capital moved to Augusta in 1832 as a more central location from which to govern. The State has an area of 33,215 square miles and 3,500 miles of continuous coastline. Maine boasts 6,000 lakes and approximately 17 million acres of forest land. Geographically, the State includes 16 counties. The most populous county is Cumberland which includes Maine's largest city, Portland.

### **Reporting Entity**

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, Authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39. There are 6 major component units, 12 non-major component units, one blended component unit, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements, and the blended component unit is included as a separate fund in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

The departments of the primary government record their daily financial operations in the State accounting system called AdvantageME operated by the OSC.

### **Budgetary Control**

The Governor presents a biennial budget for the General Fund and the Special Revenue Funds to the Legislature for enactment or revision. The State Constitution provides the Governor a "line item" veto, which allows an Executive dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document.

Once passed and signed, the budget becomes the financial plan for the State for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. In accordance with statute, the State Budget Officer must use the projections of the Revenue Forecasting Committee to prepare the General Fund and Highway Fund budgets.

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 MRSA § 1665, subsection 1, plus the average forecasted inflation rate. "Average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee. This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of this statute. "Exceptional circumstances" means an unforeseen condition

or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

The State maintains budgetary control at the account and line category levels. The head of each department and agency of State government must submit a work program to the Bureau of the Budget for the ensuing fiscal year. The work program is classified to show allotments requested for specific amounts for personal services, capital expenditures, and all other departmental expenses. These are the levels at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Controller authorizes all expenditures to be made from the amounts available on the basis of these allotments and not otherwise.

Budget revisions during the year, reflecting program changes or intradepartmental administrative transfers, require the approval of the State Budget Officer and the Governor. Except in specific instances, only the Legislature may transfer appropriations between departments. Agency requests for increases in appropriations, allocations, or funding for new programs are presented to the Legislature as a supplemental budget.

The State uses encumbrance accounting as an extension of formal budgetary control. This requires that purchase orders, contracts, and other commitments be recorded to reserve a portion of an appropriation or allocation for expenditure. Appropriated and allocated balances are available for subsequent expenditure to the extent that there are approved encumbrances at the end of a fiscal year. The State reports encumbrances outstanding at year-end as reservations of fund balances to identify those portions of fund balances that are not available for allocation or expenditure, or that are legally segregated for specific future uses. Unencumbered appropriations in the General Fund and in the Highway Fund are carried forward to a subsequent year only when authorized by law, otherwise the balances lapse at year-end.

#### **Maine Budget Stabilization Fund**

The Maine Budget Stabilization Fund, established in Title 5 § 1532, to replace the Maine Rainy Day Fund, is a designation of the unreserved General Fund fund balance intended to be used when revenues are under budget and critical services must be preserved. The Governor may also allocate funds from the Budget Stabilization Fund for payment of death benefits for law enforcement officers, firefighters and emergency medical services persons.

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2010, \$25.2 million was transferred into the fund from the unappropriated surplus of the General Fund in accordance with Public Laws 2009, Chapter 645, Part H and Maine Revised Statutes Annotated Title 5, section 1536.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Maine's economy has been affected by the recession consistent with the other New England states. Our State is home to many renowned institutions of higher education, both public and private, industries, vacation areas, and world famous retailers, keeping the economy relatively stable and an incubator for new ideas and growth. Unemployment has remained at or below the national average due to these stabilization factors. The State of Maine with an international reputation for recreational, cultural, historical and educational institutions remains a significant spoke of the New England economy. Maine's economy remains diversified.

As part of the December 2010 revenue forecast, General Fund revenue estimates are being revised upward by \$111.6 million in Fiscal Year 2011 and \$365.6 million in the 2012-2013 biennium. These increases are the result of the revised economic forecast and the fact that fiscal year-to-date actual revenues through October of 2010 have a positive variance of \$56.7 million.

Individual Income Tax was the biggest contributor to the positive change with a \$43.3 million increase in Fiscal Year 2011, a \$127.4 million increase in FY 2012 and \$143.0 million in FY 2013. This category is directly affected by changes in personal income and was up \$20.4 million through October of 2010. Long-term projections for the new forecast period are for gains of 7.6% in FY14 and 5.5% in FY15.

The second largest change was in the Corporate Income Tax line, which was raised \$41.7 million in Fiscal Year 2011. This category was ahead of previous estimates by \$26.6 million through October. Business profits for the current year are much stronger than previously projected as businesses have become leaner and more efficient by trimming costs. Revenue gains are flowing more quickly to the bottom line and are improving net profitability. The upward revision for the 2012-2013 biennium is \$83.8 million.

The national economic recession has impacted Maine, but not as severely as the rest of the nation. While the housing market has slowed in Maine, homes prices have declined at a slower rate than most of the nation and most financial institutions in Maine are solid. Maine's economy is not heavily dependent on financial services jobs, and therefore has not been significantly affected by the crisis in the nation's financial sector. The one area that was strongly affected by the recession is the retail sector. While consumer spending has started to rebound, retailers remain cautious about hiring additional workers until the economy is on a more solid footing.

## **CURRENT DEVELOPMENTS AND INITIATIVES**

In March, 2010 President Obama signed into law the Patient Protection and Affordable Care Act of 2010 (ACA). ACA provides Maine with opportunities to increase the number of residents covered by health insurance, reshape the state's health care delivery system, improve health care quality and control health care costs for Maine's residents and businesses. Shortly after enactment of the ACA in the spring of 2010, Governor Baldacci issued an Executive Order setting state government on the path to implementation of the ACA. This Order included creation of the Governor's Health Reform Steering Committee, which began meeting in April of 2010, conducting an in-depth analysis of Maine's readiness to implement the ACA and to lay out the policy options that will be inherent in the implementation process. The Steering Committee is chaired by the Director of the Governor's Office of Health Policy and Finance; the Commissioners of Health and Human Services, Professional and Financial Regulation and Administrative and Financial Services, as well as the Superintendent of Insurance and the Executive Director of the Dirigo Health Agency. The Steering Committee conducted a series of public meetings affording all interested parties, including the public, the opportunity to take advantage of educational opportunities, policy discussions and provide input and recommendations regarding Maine's implementation of health reform.

On September 1, 2010 the Department of Health and Human Services implemented a new application which outsources the claims management and fiscal operations of the State's Medicaid Program known as MaineCare. The initiative to move to a fiscal agent will provide a system that is HIPAA compliant.

In February 2009, President Obama signed into law the American Recovery & Reinvestment Act of 2009. The purpose of the Recovery Act is to create and save jobs, jumpstart our economy, and build the foundation for long-term economic growth. The Act includes measures to modernize the nation's infrastructure, enhance America's energy independence, expand educational opportunities, increase access to healthcare, provide tax relief, and protect those in greatest need. The State continues to administer the various grants and provide the necessary oversight for the programs as well as increased transparency.

## **FINANCIAL INFORMATION**

### **Cash Management**

The State pools cash for a variety of State agencies and public sector entities. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. In accordance with statute, the Treasurer of State may deposit State funds in any of the banking institutions organized under the laws of this State, and any national bank or federal savings and loan association located in the State. All State money in any depository of State Government shall be to the credit of the State but the Treasurer of State shall not withdraw any of the funds except upon the authority of the State Controller.

The Treasurer of State may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services, and the consent of the Governor. The list of approved pool investments includes: U.S. Treasury Bills, Notes, Bonds and Agency Securities, certain secured repurchase agreements, prime commercial paper, tax-exempt obligations, banker's acceptances, and certain secured shares of an investment company registered under the Federal Investment Company Act of 1940.

### **Debt Administration**

When issuing General Obligation Bonds, the State of Maine pledges its full faith and credit to repay the financial obligation. Unless certain tax revenue streams are specifically restricted, states typically pledge all of their tax-raising powers to secure the obligations. The major bond rating agencies regularly assess the capacity and willingness of the State to repay its general obligation debt. Moody's Investors Service, Standard & Poor's, and FitchRatings make their assessments, in large part, by examining four basic analytical areas:

- Economy
- Financial Performance and Flexibility
- Debt Burden
- Administration

The economic base is the most critical element in determining the rating. Growth and diversity in the demographics, tax base, and employment base of the State over the last decade are indicators of future growth prospects and debt repayment capabilities. Generally, States with higher income levels and diverse economic bases have superior debt repayment capabilities and are better protected from sudden shocks or unexpected volatility in the economy. Because a strong economy does not always ensure a State's ability to meet debt payments, the State's financial management and performance are also key factors.

Financial analysis involves several factors, including: accounting and reporting methods; revenue and expenditure patterns; annual operating and budgetary performance; leverage and equity positions; budget and financial planning; and contingency obligations. These factors present a clear indication of the financial strengths and weaknesses of the State. The rating agencies' analyses of these factors provide the framework for judging Maine's capacity to manage economic, political, and financial uncertainties.

Following is a history of Maine’s credit ratings from two of the major rating agencies, and a brief explanation of their meanings:

#### Standard & Poor’s

“AAA” is the highest Issuer Credit Rating assigned by Standard & Poor’s. An obligor rated “AAA” has EXTREMELY strong capacity to meet its financial commitments. An obligor rated “AA” has VERY strong capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree. Ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

<u>Year</u>	<u>Rating</u>
2001	AA+
2002	AA+
2003	AA+
2004	AA
2005	AA-
2006	AA-
2007	AA
2008	AA
2009	AA
2010	AA

#### Moody’s Investors Service

Moody’s is one of the few major rating agencies that measures total expected credit loss over the life of the security, assessing both the likelihood that the issuer will default and the amount of loss after a default occurs. “Aaa” rated bonds are judged to be of the best quality. Generally referred to as "gilt edge," they carry the smallest degree of risk. “Aa” rated bonds are judged to be of high quality by all standards and together with the “Aaa” group they comprise what is generally known as high grade bonds. Moody’s applies one of three numerical modifiers to each generic rating classification from “Aa” to “Caa.” The modifier 1 indicates that the issue ranks at the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks at the lower end of its generic category.

<u>Year</u>	<u>Rating</u>
2001	Aa2
2002	Aa2
2003	Aa2
2004	Aa2
2005	Aa3
2006	Aa3
2007	Aa3
2008	Aa3
2009	Aa3

In Fiscal Year 2010, the State also received a bond rating from the National Association of Insurance Commissioners of NAIC-1. NAIC 1 is assigned to obligations exhibiting the highest quality. Credit risk is at its lowest and the issuer’s credit profile is stable. This means that interest, principal or both will be paid in accordance with the contractual agreement and the repayment of principal is well protected. An NAIC1 obligation should be eligible for the most favorable treatment provided under the NAIC Financial Conditions Framework.

#### **Risk Management**

In general, the State is “self-insured” for health and dental insurance, worker’s compensation, tort liability, vehicle liability, marine and aircraft, property losses, and retiree health insurance for State employees and teachers. The Risk Management Division’s activities include analysis of and control over insurance coverage and risk exposure. Risk Management funds the cost of providing claims servicing and claims payment by charging premiums to agencies based on a review of past losses and estimated losses for the current period.

#### **Fund Balance**

The State’s General Fund Unreserved Fund Balance negative position increased from Fiscal Year 2009 to Fiscal Year 2010 ending at negative \$411.0 million. As a result of the recession and the impact on both revenues and increased demand for services the State utilized nearly all of the unreserved fund balance in Fiscal Year 2009. As part of the budget balancing in Fiscal Year 2010, the State relied on a one-day borrowing from the Special Revenue Fund. Even though the State revenues finished higher than expected, when combined with the one-day



borrowing and the statutory transfer of excess revenues to other funds the higher than expected revenues did not entirely offset the amount borrowed.

Although the State's General Fund Unreserved Fund Balance declined, certain actions of the Governor and the legislature have established a foundation that will improve the State's financial position in Fiscal Year 2011. The State did transfer \$25.2 million to the Budget Stabilization Fund during the worst economic conditions experienced in since the Great Depression while demand for public services increased. The impact of the one-day borrowing will offset during the fiscal year and as mentioned earlier, the State's General Fund revenues have improved from original projections.

There are many factors that adversely affect our General Fund Balance Sheet that we should strive to resolve over the next several years. The paramount cause for the current condition is the Medicaid liabilities that accrue at the end of each fiscal year. Another factor that has a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments includes accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes.

## **OTHER INFORMATION**

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This is the third time that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

The Certificate of Achievement is the highest recognition a government may receive for excellence in financial reporting, we thank the finance community and our auditors for their contributions in achieving this award.

State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor Baldacci to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges of financial management in the 21<sup>st</sup> century. The Office provides assistance to many State agencies to help insure the integrity and accountability of the programs they deliver to Maine's citizens. We strive to find solutions to the State's financial challenges by partnering with financial and program managers ensuring that the best solutions are found to our many challenges. In an environment where economic resources are limited and agencies are coping with budget constraints, the challenge of maintaining effective controls is greater than ever. We will continue to partner with each department, at its highest levels, to ensure that the tools are available to help each agency assess its risks and target controls to manage those risks effectively and within its budgetary constraints whenever possible.

Each year the preparation of the CAFR requires the efforts of the finance people throughout the State from virtually all agencies, departments and component units. We sincerely appreciate the dedicated efforts of all of these individuals. I am especially proud of the dedication and contributions of the staff of the Office of the State

Controller, who strive to maintain the public's trust in our financial operations. Their efforts culminate in the CAFR each year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Terry Brann".

Terry E. Brann, CPA  
State Controller

A handwritten signature in cursive script, appearing to read "Ruth Quirion".

Ruth Quirion, CPA  
Director of Financial Reporting and Internal Audit

A handwritten signature in cursive script, appearing to read "Heidi McDonald".

Heidi C. McDonald, CPA  
Principal Financial Management Coordinator



# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2010

### EXECUTIVE

**John Elias Baldacci**, *Governor*

### LEGISLATIVE

**Elizabeth H. Mitchell**, *President of the Senate*

**Hannah Pingree**, *Speaker of the House*

#### Constitutional/Statutory Officers

**Janet T. Mills**, *Attorney General*

**Neria R. Douglass**, *State Auditor*

**Matthew Dunlap**, *Secretary of State*

**David G. Lemoine**, *State Treasurer*

### JUDICIAL

**Leigh Ingalls Saufley**, *Chief Justice of the State Supreme Court*



# STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2010

## MAINE VOTERS

### LEGISLATIVE BRANCH

Senate  
House of Representatives  
Legislative Council  
Office of Fiscal and Program Review  
Office of Legislative Information Services  
Office of Policy and Legal Analysis  
Office of the Revisor of Statutes  
Maine-Canadian Legislative Advisory Commission  
State House and Capitol Park Commission  
Office of Executive Director of the Legislative Council  
Commission on Interstate Cooperation  
Commission on Uniform State Laws

### EXECUTIVE BRANCH

Governor  
Office of the Governor  
Governor's Board on Executive Clemency  
State Planning Office  
Governor's Select Committee on Judicial Appointments  
Office of Public Advocate  
Land for Maine's Future Board  
Maine Land and Water Resources Council

The Governor  
appoints all  
Judicial Officers

### JUDICIAL BRANCH

Supreme Judicial Court  
Superior Court  
District Court  
Court Alternative Dispute Resolution Service  
Administrative Office of the Courts  
Committee on Judicial Responsibility and Disability  
Board of Bar Examiners  
Board of Overseers of the Bar  
State Court Library Committee

### CONSTITUTIONAL OFFICERS

Secretary of State  
State Treasurer  
State Attorney General

### STATUTORY OFFICER

State Auditor

### CABINET LEVEL DEPARTMENTS

Administrative and Financial Services  
Agriculture, Food and Rural Resources  
Conservation  
Corrections  
Defense, Veterans and Emergency Management  
Economic and Community Development  
Education  
Environmental Protection  
Health and Human Services  
Inland Fisheries and Wildlife  
Labor  
Marine Resources  
Professional and Financial Regulation  
Public Safety  
Transportation

### MISCELLANEOUS BOARDS & COMMISSIONS

Human Rights Commission  
Maine Arts Commission  
Maine Historic Preservation Commission  
Public Utilities Commission  
State Lottery Commission  
Workers' Compensation Board

### MAJOR COMPONENT UNITS

Finance Authority of Maine  
Maine Community College System  
Maine Health and Higher Education Facilities Authority  
Maine Municipal Bond Bank  
Maine Public Employees Retirement System  
Maine State Housing Authority  
University of Maine System

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Maine

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director



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**FINANCIAL SECTION**  
**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS**

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## DEPARTMENT OF AUDIT

66 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0066

NERIA R. DOUGLASS, JD, CIA  
STATE AUDITOR

TEL: (207) 624-6250  
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RICHARD H. FOOTE, CPA  
DEPUTY STATE AUDITOR  
MARY GINGROW-SHAW, CPA, CIA  
SINGLE AUDIT COORDINATOR  
MICHAEL J. POULIN, CIA  
DIRECTOR OF AUDIT and ADMINISTRATION

## INDEPENDENT AUDITOR'S REPORT

To the President of the Senate and the  
Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Connect ME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and University of Maine System. We also did not audit the financial statements of the NextGen College Investing Plan. These financial statements reflect the following percentages of total assets and net assets or fund balance of the indicated opinion unit:

<u>Opinion Unit</u>	<u>Percent of Opinion Unit's Total Assets</u>	<u>Percent of Opinion Unit's Net Assets/Fund Balance</u>
Aggregate Discretely Presented Component Units	100%	100%
Aggregate Remaining Fund Information	94%	96%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for these entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Maine Educational Loan Authority, Maine Technology Institute, Northern New England Passenger Rail Authority and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.



In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, a report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

As discussed in Note 3 the State has adopted the provisions of Government Accounting Standards Board (GASB) Statements No. 51, *Accounting and Financial Reporting for Intangible Assets* and No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The Management's Discussion and Analysis on pages 4 - 15 and budgetary comparison schedules and related notes, State Retirement Plan and Other Post-Employment Benefits Plans, Information About Infrastructure Assets Reported Using the Modified Approach, included on pages 102 - 113, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The supplementary information – combining statements and individual fund statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and individual fund statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and accordingly, we express no opinion on them.

Neria R. Douglass, JD, CIA  
State Auditor

A handwritten signature in black ink that reads "Neria R. Douglass". The signature is written in a cursive, flowing style.

December 21, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

- The State's net assets increased by 4.4 percent from the previous fiscal year. Net assets of Governmental Activities increased by \$212.9 million, while net assets of Business-type Activities decreased by \$30.3 million. The State's assets exceeded its liabilities by \$4.4 billion at the close of fiscal year 2010. Component units reported net assets of \$2.1 billion, an increase of \$105.7 million (5.2 percent) from the previous year, as restated.

#### Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$311.8 million, an increase of \$109.8 million from the previous year. The General Fund's total fund balance was a negative \$308.2 million, a decline of \$34.9 million from the previous year. The Highway Fund total fund balance was \$56.4 million, an increase of \$21.5 million from the prior year.
- The proprietary funds reported net assets at year end of \$562 million, a decrease of \$32.4 million from the previous year. This decrease is due to several factors: an increase in the Dirigo Health Fund of \$10.8 million, an increase in the Maine Military Fund of \$6.4 million, an increase in the Alcoholic Beverages Fund of \$12.5 million, and an increase in the Information Services Fund of \$9.6 million, offset by a decrease in the Employment Security Fund of \$63.3 million, and a decrease in the Retiree Health Insurance Fund of \$24.8 million.

#### Long-term Debt:

- The State's liability for general obligation bonds decreased by \$29.9 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$56.8 million in bonds and made principal payments of \$86.7 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 7.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Maine's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### Government-wide Statements

The government-wide statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets are an indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change

occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements report three activities:

*Governmental activities* - Most basic services, such as health & human services, education, governmental support & operations, justice & protection, and transportation are included in this category. The Legislature, Judiciary and the general operations of the Executive departments fall within the Governmental Activities. Income taxes, sales and use taxes, and State and federal grants finance most of these activities.

*Business-type activities* - The State charges fees to customers to help cover all or most of the costs of certain services it provides. Operating costs not covered by customer fees are subsidized by the General Fund. Lottery tickets, transportation services, and the State's unemployment compensation services are examples of business-type activities.

*Component units* - Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" one component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 18 other component units (6 major and 12 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting. The following summarizes the impact of the transition from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements
- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred revenue on the governmental fund statements
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements
- Internal service funds are reported as Governmental Activities, but reported as proprietary funds in the fund financial statements
- Governmental fund long-term liabilities, such as certificates of participation, pension obligations, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements
- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements
- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements

- Net asset balances are allocated as follows:

*Net Assets Invested in Capital Assets, Net of Related Debt;* are capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.

*Restricted Net Assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and

*Unrestricted Net Assets* are net assets that do not meet any of the above restrictions.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the State's most significant funds. Funds are fiscal and accounting entities with self-balancing sets of accounts that the State uses to keep track of specific revenue sources and spending for particular purposes. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different measurement focuses and bases of accounting.

*Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the State. The governmental fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. These funds are reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Because this information does not encompass the additional long-term focus of the government-wide statements, a separate reconciliation provides additional information that explains the relationship (or differences) between them. The governmental funds consist of the General Fund, special revenue, capital projects, and permanent funds.

*Proprietary funds:* When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) apply the accrual basis of accounting utilized by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services to the State's other programs and activities – such as the State's Postal, Printing & Supply Fund. Internal service funds are reported as Governmental Activities on the government-wide statements.

*Fiduciary funds:* The State is the trustee or fiduciary for assets that belong to others. The State is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These funds include pension and other employee benefit trusts administered by the Maine Public Employees Retirement System, a component unit, private-purpose trusts, and agency funds. Fiduciary funds are reported using the accrual basis of accounting. The State excludes these activities from the government-wide financial statements because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

## Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds. Also included are notes and a reconciliation of fund balance from the budgetary basis to fund balance determined according to generally accepted accounting principles. This section also includes schedules of funding progress for certain pension and other post-employment benefit trust funds and condition and maintenance data regarding certain portions of the State's infrastructure.

## Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements. Budgetary comparison schedules by agency are also included for the general fund, the highway fund, federal funds, and other special revenue fund.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net assets increased by 4.4 percent to \$4.4 billion at June 30, 2010, as detailed in Tables A-1 and A-2.

**Table A- 1: Condensed Statement of Net Assets**  
(Expressed in Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Current and other noncurrent assets	\$ 1,891,198	\$ 1,901,420	\$ 361,077	\$ 410,353	\$ 2,252,275	\$ 2,311,773
Capital assets	4,618,143	4,338,301	97,635	96,665	4,715,778	4,434,966
<b>Total Assets</b>	<b><u>6,509,341</u></b>	<b><u>6,239,721</u></b>	<b><u>458,712</u></b>	<b><u>507,018</u></b>	<b><u>6,968,053</u></b>	<b><u>6,746,739</u></b>
Current liabilities	1,348,020	1,419,356	37,184	42,720	1,385,204	1,462,076
Long-term liabilities	1,168,334	1,040,284	38,255	50,691	1,206,589	1,090,975
<b>Total Liabilities</b>	<b><u>2,516,354</u></b>	<b><u>2,459,640</u></b>	<b><u>75,439</u></b>	<b><u>93,411</u></b>	<b><u>2,591,793</u></b>	<b><u>2,553,051</u></b>
<b>Net assets (deficit):</b>						
Investment in capital net of related debt	3,945,220	3,767,895	97,635	96,667	4,042,855	3,864,562
Restricted	184,241	162,240	320,648	383,970	504,889	546,210
Unrestricted (deficit)	(136,474)	(150,054)	(35,010)	(67,030)	(171,484)	(217,084)
<b>Total Net Assets</b>	<b><u>\$ 3,992,987</u></b>	<b><u>\$ 3,780,081</u></b>	<b><u>\$ 383,273</u></b>	<b><u>\$ 413,607</u></b>	<b><u>\$ 4,376,260</u></b>	<b><u>\$ 4,193,688</u></b>

## Changes in Net Assets

The State's fiscal year 2010 revenues totaled \$7.9 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 40.4 percent and 45.2 percent, respectively, of every dollar raised. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled \$7.7 billion for the year 2010. (See Table A-2) These expenses are predominantly (68.3 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 6.2 percent of total costs. Total net assets increased by \$182.6 million.

**Table A-2 - Changes in Net Assets**  
(Expressed in Thousands)

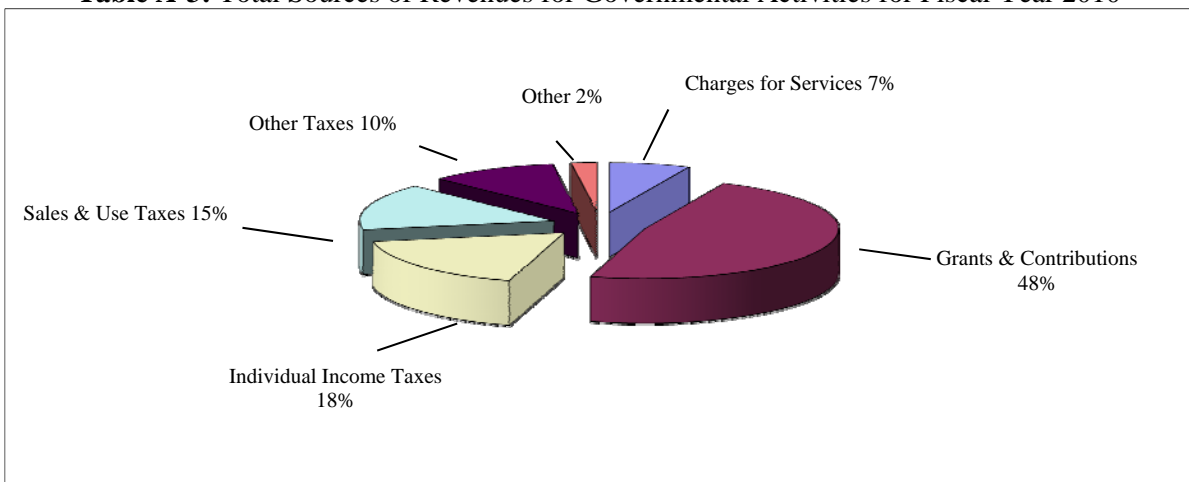
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 492,251	\$ 452,597	\$ 489,034	\$ 482,911	\$ 981,285	\$ 935,508
Operating Grants/Contributions	3,525,858	3,081,827	44,629	20,170	3,570,487	3,101,997
General Revenues:						
Taxes	3,193,659	3,245,180	-	-	3,193,659	3,245,180
Other	156,515	159,276	-	-	156,515	159,276
<b>Total Revenues</b>	<b>7,368,283</b>	<b>6,938,880</b>	<b>533,663</b>	<b>503,081</b>	<b>7,901,946</b>	<b>7,441,961</b>
<b>Expenses</b>						
Governmental Activities:						
Governmental Support	477,994	484,127			477,994	484,127
Education	1,752,041	1,689,036			1,752,041	1,689,036
Health & Human Services	3,511,572	3,428,680			3,511,572	3,428,680
Justice & Protection	412,263	419,027			412,263	419,027
Transportation Safety	295,514	301,355			295,514	301,355
Other	682,950	534,032			682,950	534,032
Interest	48,594	40,148			48,594	40,148
Business-Type Activities:					-	-
Employment Security			235,301	225,181	235,301	225,181
Lottery			166,721	163,030	166,721	163,030
Military Equip. Maint.			45,004	71,380	45,004	71,380
Dirigo Health			50,952	58,861	50,952	58,861
Other			28,740	27,560	28,740	27,560
<b>Total Expenses</b>	<b>7,180,928</b>	<b>6,896,405</b>	<b>526,718</b>	<b>546,012</b>	<b>7,707,646</b>	<b>7,442,417</b>
<b>Excess (Deficiency) before Special Items and Transfers</b>	<b>187,355</b>	<b>42,475</b>	<b>6,945</b>	<b>(42,931)</b>	<b>194,300</b>	<b>(456)</b>
Special Items	(11,728)	-	-	-	(11,728)	-
Transfers	37,279	43,700	(37,279)	(43,700)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>212,906</b>	<b>86,175</b>	<b>(30,334)</b>	<b>(86,631)</b>	<b>182,572</b>	<b>(456)</b>
Net Assets, beginning of year	3,780,081	3,693,906	413,607	500,238	4,193,688	4,194,144
<b>Ending Net Assets</b>	<b>\$ 3,992,987</b>	<b>\$ 3,780,081</b>	<b>\$ 383,273</b>	<b>\$ 413,607</b>	<b>\$ 4,376,260</b>	<b>\$ 4,193,688</b>

## Governmental Activities

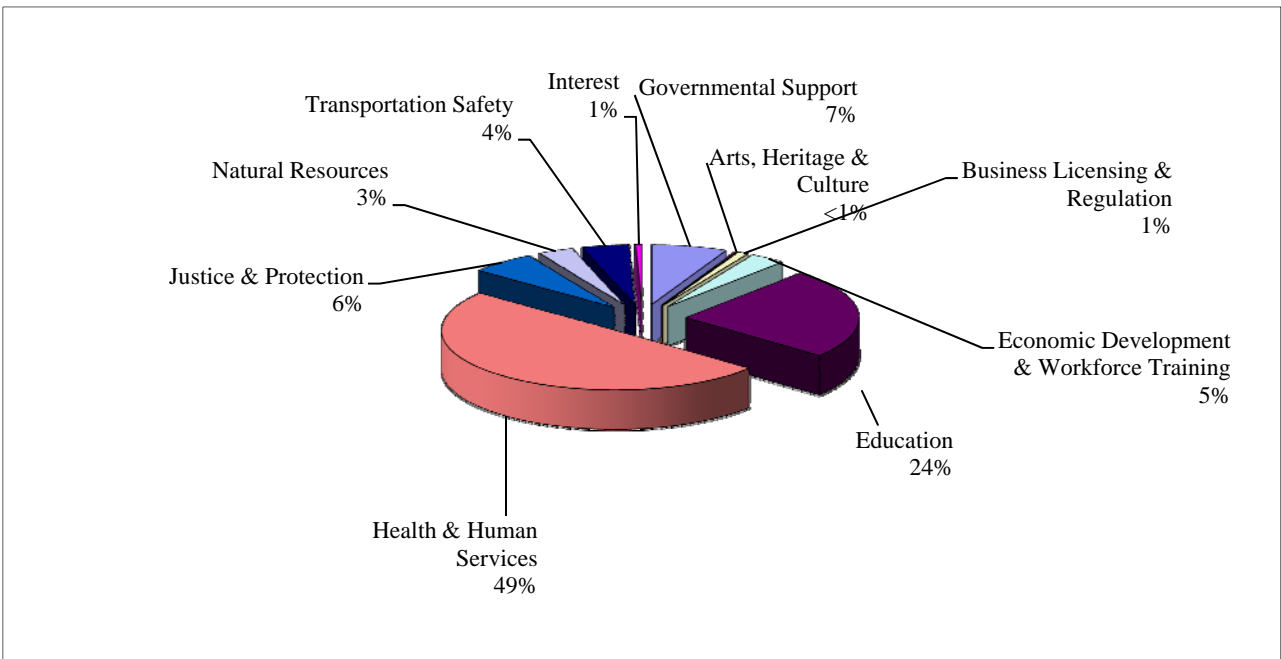
Revenues for the State's Governmental Activities totaled \$7.4 billion while total expenses equaled \$7.2 billion. The increase in net assets for Governmental Activities was \$212.9 million in 2010. This is due, primarily, to a decrease in General Fund expenditures resulting from participation in the federal American Recovery and Reinvestment Act of 2009. Additionally, program revenues were insufficient to cover program expenses. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes. Tax revenue decreased by \$51.5 million from the prior year, however net expenses supported by tax revenue also decreased by approximately \$199.2 million. Furthermore, the State's Business-type Activities transferred \$37.3 million (net) to the Governmental Activities in statutorily required profit transfers.

The users of the State's programs financed \$492.3 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$3.5 billion. \$3.2 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

**Table A-3: Total Sources of Revenues for Governmental Activities for Fiscal Year 2010**



**Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2010**



## Business-type Activities

Revenues for the State's Business-type Activities totaled \$533.7 million while expenses totaled \$526.7 million. The decrease in net assets for Business-type Activities was \$30.3 million in 2010, due mainly to the increase of unemployment compensation payments in the Employment Security fund.

Table A-5 presents the cost of State Business-type Activities: employment security, alcoholic beverages, lottery, military equipment maintenance, Dirigo Health and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

**Table A-5: Net Cost of Business-Type Activities**  
(Expressed in Thousands)

Category	Total Cost		Net (Cost) Revenue	
	2010	2009	2010	2009
Employment Security	\$ 235,301	\$ 225,181	\$ (63,234)	\$ (107,649)
Alcoholic Beverages	1	-	12,527	12,530
Lottery	166,721	163,030	53,245	50,043
Military Equip. Maint.	45,004	71,380	4,483	4,404
Dirigo Health	50,952	58,861	14,657	9,843
Other	28,739	27,560	(14,733)	(12,102)
Total	<u>\$ 526,718</u>	<u>\$ 546,012</u>	<u>\$ 6,945</u>	<u>\$ (42,931)</u>

The cost of all Business-type Activities this year was \$526.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was \$6.9 million, with the Lottery making up \$53.2 million of the total. The State's Business-type Activities transferred \$37.3 million (net) to the Governmental Activities in statutorily required profit transfers.



## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

**Table A-6: Governmental Fund Balances**  
(Expressed in Thousands)

<b>Fund</b>	<b>Total Cost</b>		<b>Change</b>
	<b><u>2010</u></b>	<b><u>2009</u></b>	
General	\$ (308,248)	\$ (273,393)	\$ (34,855)
Highway	56,403	34,885	21,518
Federal	22,082	27,163	(5,081)
Other Special Revenue	442,482	300,263	142,219
Other Governmental	99,052	113,038	(13,986)
Total	<u>\$ 311,771</u>	<u>\$ 201,956</u>	<u>\$ 109,815</u>

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$311.8 million, an increase of \$109.8 million in comparison with the prior year. Of this amount, a net deficit fund balance of \$338.6 million constitutes unreserved fund balance with 121 percent (\$411 million) of the shortfall residing in the General Fund. The remainder of the fund balances for the governmental funds is reserved and is not available for new spending because it has already been dedicated for continuing appropriations (\$503.2 million), Capital Projects (\$33.6 million), and various other commitments (\$113.6 million).

General Fund expenditures and other uses surpassed General Fund revenues and other sources resulting in a decrease in the fund balance by \$34.9 million. While expenditures and other uses of the General Fund increased by approximately \$8.7 million (0.28 percent) led by an increase in transfers to other funds of \$50.2 million, expenditures for health and human service and education decreased by \$27.7 million and \$31.3 million respectively; General Fund revenues and other sources also increased by \$8.8 million (0.28 percent) which is mainly attributed to a reduction in tax revenue (\$58.7 million) offset by the General Funds share of returned equity from the Retiree Health Insurance Fund (\$48.3 million) and increased transfers from other funds (\$19.5 million).

The fund balance of the Highway Fund increased \$21.5 million from fiscal year 2009, due to the Highway Fund's share of returned equity from the Retiree Health Insurance Fund (\$11.1 million) and the Highway Fund's reimbursement of approximately \$14.2 million from the Federal Fund for prior period expenditures that were ultimately approved for federal funding.

### Budgetary Highlights

For the 2010 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$2.9 billion, a decrease of about \$8.5 million from the original legally adopted budget of approximately \$2.9 billion. Actual expenditures on a budgetary basis amounted to approximately \$80.9 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2011, including the budgeted starting balance for Fiscal Year 2010, there were funds remaining of \$70.3 million to distribute in Fiscal Year 2010. Actual revenues exceeded final budget forecasts by \$43.1 million. As a part of the final budget adjustment for Fiscal Year 2010, the Legislature approved direct transfers to the State's Budget Stabilization Fund in the amount of \$5.6 million. In addition, the year-end cascade transferred another \$19.6 million to the State's Budget Stabilization Fund. The additional transfer and interest earnings increased the balance in the Fund to \$25.4 million as of June 30, 2010. This item is further explained in Note 2 of Notes to the Financial Statements.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2010, the State had roughly \$4.7 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2010, the State acquired or constructed more than \$330.7 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

**Table A-7 - Capital Assets**  
(Expressed in Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Land	\$ 473,464	\$ 449,256	\$ 43,076	\$ 43,344	\$ 516,540	\$ 492,600
Buildings	589,375	576,236	8,465	9,655	597,840	585,891
Equipment	254,744	250,031	49,548	47,134	304,292	297,165
Improvements	19,576	18,818	74,572	74,572	94,148	93,390
Infrastructure	3,600,246	3,378,914	-	-	3,600,246	3,378,914
Construction in Progress	90,974	57,350	8,789	3,416	99,763	60,766
Total Capital Assets	5,028,379	4,730,605	184,450	178,121	5,212,829	4,908,726
Accumulated Depreciation	410,236	392,304	86,815	81,456	497,051	473,760
Capital Assets, net	<u>\$ 4,618,143</u>	<u>\$ 4,338,301</u>	<u>\$ 97,635</u>	<u>\$ 96,665</u>	<u>\$ 4,715,778</u>	<u>\$ 4,434,966</u>

### Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets – highways and bridges. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Utilization of this approach requires the State to: 1) maintain an asset management system that includes an up-to-date inventory of infrastructure assets; 2) perform condition assessments that use a measurement scale and document that the infrastructure assets are being preserved at or above the condition level established; and 3) estimate the annual amounts that must be expended to preserve and maintain the infrastructure at the condition level established by the State. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

Highways and bridges are included in the State's infrastructure. There are 8,873 highway miles or 18,048 lane miles within the State. Bridges have a deck area of 11.7 million square feet among 2,961 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2010, the actual average condition was 76.2. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 79 at June 30, 2010. Preservation costs for fiscal year 2010 totaled \$77.8 million compared to estimated preservation costs of \$55 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 414, PL 2009, \$25 million was spent during FY 2010.

Additional information on infrastructure assets can be found in Required Supplementary Information (RSI).

## Long-Term Debt

The State Constitution authorizes general obligation long-term borrowing, with 2/3 approval of the Legislature and ratification by a majority of the voters, and general obligation short-term notes, of which the principal may not exceed an amount greater than 10 percent of all moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, or greater than 1 percent of the total valuation of the State of Maine, whichever is the lesser.

At year-end, the State had \$1.3 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

**Table A-8 - Outstanding Long-Term Debt**  
(Expressed in Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
General Obligation						
Bonds	\$ 500,100	\$ 529,990	\$ -	\$ -	\$ 500,100	\$ 529,990
Other Long-Term						
Obligations	<u>836,743</u>	<u>671,940</u>	<u>808</u>	<u>880</u>	<u>837,551</u>	<u>672,820</u>
Total	<u>\$ 1,336,843</u>	<u>\$ 1,201,930</u>	<u>\$ 808</u>	<u>\$ 880</u>	<u>\$ 1,337,651</u>	<u>\$ 1,202,810</u>

During the year, the State reduced outstanding long-term obligations by \$86.7 million for outstanding general obligation bonds and \$643 million for other long-term debt. Also during fiscal year 2010, the State incurred \$864.5 million of additional long-term obligations.

## Credit Ratings

The State's credit was rated during fiscal year 2010 by Moody's Investors Service as Aa3 with a stable outlook, by Standard & Poor's as AA with a negative outlook, and by the National Association of Insurance Commissioners as NAIC-1.

## **FACTORS BEARING ON THE FUTURE OF STATE AND NEXT YEAR'S BUDGETS**

While national and state economic conditions have been improving over the past months, the rate of improvement has been slow. In August, Maine's year-over-year economic activity index crossed over into positive territory for the first time since April 2008. Personal income has been slow to recover, but corporate profits have been increasing significantly this year. While home sales experienced a temporary boost from the homebuyer credit, they have dropped off again following the expiration of the credit.

Going forward, economic growth in Maine is expected to reflect the slow pace of the national economic recovery. Wage and salary employment is expected to begin slowly gaining ground in the first quarter of 2011, with more rapid gains expected in 2012 and 2013. Personal income growth is generally expected to be somewhat better than previously forecast, particularly in 2010, led by growth in wages and salaries, proprietors' income and transfer payments. Inflation increased by less than 1% between July 2009 and June 2010. Energy prices have stabilized somewhat over the last year, but have increased in recent months as the winter heating season begins.

The unemployment rate in Maine has been below the national average throughout the recession and during the early stages of the economic recovery. The rate in Maine stood at 7.4% in October, which is below both the national and New England averages. Maine is forecasted to return to its pre-recession wage and salary employment level by 2013.

After falling for two straight fiscal years, General Fund revenue is projected to increase by 4.7% in FY11 and continue to grow at a similar rate through FY15. General Fund receipts reached their peak of \$3.1 billion in FY08 and are projected to return to that level by FY13. Individual and corporate income tax revenues are forecasted to lead that return in General Fund receipts, while sales taxes are expected to grow at lower rates as households rebuild savings lost during the great recession.

At the close of Fiscal Year 2010, the deficit in the State of Maine's Unreserved Fund Balance Account in the General Fund has increased to \$411.0 million (from a deficit \$390.4 reported in the prior year). This increase is primarily due to a one-day borrowing from the Other Special Revenue Fund totaling \$79 million that was necessary to balance the budget. The amount of the one-day borrowing was partially offset with the excess revenues.

There are many factors that adversely affect our General Fund Balance Sheet that we should strive to resolve over the next several years. One cause for the current condition is the Medicaid liabilities that accrue at the end of each fiscal year. Other factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such factors as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes; the increase in the demand for carrying accounts and a lack of allowing money to accrue to the Unreserved Fund Balance of the General Fund.

These items together, conspire to cause the State of Maine's General Fund to be subjected to lack of liquidity each year and an inability to adequately manage its Balance Sheet within existing resources.

## **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the State and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

State of Maine  
Office of the State Controller  
14 State House Station  
Augusta, ME 04333-0014  
(207)-626-8420  
[financialreporting@maine.gov](mailto:financialreporting@maine.gov)



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# **BASIC FINANCIAL STATEMENTS**

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# STATE OF MAINE STATEMENT OF NET ASSETS

June 30, 2010  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 344,052	\$ 11,226	\$ 355,278	\$ 93,591
Cash and Cash Equivalents	300	756	1,056	132,006
Cash with Fiscal Agent	166,464	-	166,464	-
Investments	65,394	-	65,394	708,598
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	36,449	-	36,449	-
Restricted Deposits and Investments	3,325	292,354	295,679	1,023
Inventories	5,622	2,461	8,083	2,146
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	332,221	-	332,221	-
Loans Receivable	5,650	-	5,650	88,187
Notes Receivable	-	-	-	63
Other Receivables	197,968	57,733	255,701	65,361
Internal Balances	6,122	(6,122)	-	-
Due from Other Governments	598,971	-	598,971	159,594
Due from Primary Government	-	-	-	15,505
Loans receivable from primary government	-	-	-	17,975
Due from Component Units	19,460	173	19,633	-
Other Current Assets	16,531	2,496	19,027	39,054
Total Current Assets	1,798,529	361,077	2,159,606	1,323,103
Noncurrent Assets:				
Assets Held in Trust	-	-	-	284
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	457,246
Investments	-	-	-	432,618
Receivables, Net of Current Portion:				
Taxes Receivable	73,647	-	73,647	-
Loans Receivable	-	-	-	2,677,606
Notes Receivable	-	-	-	236,696
Other Receivables	752	-	752	13,035
Due from Other Governments	17,509	-	17,509	1,268,207
Loans receivable from primary government	-	-	-	240,419
Due From Primary Government	-	-	-	180
Other Noncurrent Assets	-	-	-	32,044
Post-Employment Benefit Asset	761	-	761	8,853
Capital Assets:				
Land, Infrastructure, and Other Non-Depreciable Assets	4,164,684	51,865	4,216,549	83,978
Buildings, Equipment and Other Depreciable Assets	863,695	132,585	996,280	1,231,899
Less: Accumulated Depreciation	(410,236)	(86,815)	(497,051)	(442,927)
Capital Assets, Net of Accumulated Depreciation	4,618,143	97,635	4,715,778	872,950
Total Noncurrent Assets	4,710,812	97,635	4,808,447	6,240,138
Total Assets	\$ 6,509,341	\$ 458,712	\$ 6,968,053	\$ 7,563,241

The accompanying notes are an integral part of the financial statements.



	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 846,579	\$ 6,792	\$ 853,371	\$ 95,108
Accrued Payroll	37,669	1,607	39,276	1,072
Tax Refunds Payable	137,349	-	137,349	-
Due to Component Units	26,816	-	26,816	-
Due to Primary Government	-	-	-	19,633
Undistributed Grants and Administrative Funds	-	-	-	16,451
Allowances for Losses on Insured Commercial Loans	-	-	-	13,013
Current Portion of Long-Term Obligations:				
Compensated Absences	4,480	53	4,533	2,426
Due to Other Governments	103,081	-	103,081	3,087
Amounts Held under State & Federal Loan Programs	-	-	-	24,628
Claims Payable	23,688	-	23,688	-
Bonds and Notes Payable	88,005	-	88,005	170,068
Notes Payable	-	-	-	1,041
Revenue Bonds Payable	16,930	-	16,930	43,157
Obligations under Capital Leases	6,090	-	6,090	307
Certificates of Participation and Other Financing Arrangements	25,738	-	25,738	-
Loans Payable to Component Unit	17,975	-	17,975	-
Accrued Interest Payable	7,112	-	7,112	47,304
Deferred Revenue	1,291	12,801	14,092	64,420
Current portion of OPEB obligation	-	-	-	5,587
Other Current Liabilities	5,217	15,931	21,148	32,904
Total Current Liabilities	1,348,020	37,184	1,385,204	540,206
Long-Term Liabilities:				
Compensated Absences	41,308	755	42,063	-
Due to Component Units	84	-	84	-
Due to Other Governments	213	-	213	11,031
Amounts Held under State & Federal Loan Programs	-	-	-	47,688
Claims Payable	34,600	-	34,600	-
Bonds and Notes Payable	412,095	-	412,095	3,320,305
Notes Payable	-	-	-	25,272
Revenue Bonds Payable	172,150	-	172,150	1,365,282
Obligations under Capital Leases	27,239	-	27,239	5,761
Certificates of Participation and Other Financing Arrangements	50,553	-	50,553	-
Loans Payable to Component Unit	240,419	-	240,419	-
Deferred Revenue	14,100	37,500	51,600	16,303
Pension Obligation	7,845	-	7,845	-
Other Post-Employment Benefit Obligation	117,700	-	117,700	-
Pollution Remediation	50,028	-	50,028	-
Other Noncurrent Liabilities	-	-	-	94,081
Total Long-Term Liabilities	1,168,334	38,255	1,206,589	4,885,723
Total Liabilities	2,516,354	75,439	2,591,793	5,425,929
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	3,945,220	97,635	4,042,855	638,743
Restricted:				
Highway Fund Purposes	55,418	-	55,418	-
Federal Programs	22,082	-	22,082	-
Natural Resources	19,906	-	19,906	-
Unemployment Compensation	-	320,648	320,648	-
Other Purposes	21,341	-	21,341	1,178,810
Funds Held as Permanent Investments:				
Expendable	53,244	-	53,244	-
Nonexpendable	12,250	-	12,250	-
Unrestricted	(136,474)	(35,010)	(171,484)	319,759
Total Net Assets	\$ 3,992,987	\$ 383,273	\$ 4,376,260	\$ 2,137,312

# STATE OF MAINE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Governmental Support & Operations	\$ 477,994	\$ 106,164	\$ 8,477	\$ -
Arts, Heritage & Cultural Enrichment	11,761	1,075	2,819	-
Business Licensing & Regulation	74,243	71,592	3,261	-
Economic Development & Workforce Training	400,166	6,846	326,633	-
Education	1,752,041	7,487	292,861	-
Health & Human Services	3,511,572	11,844	2,544,929	-
Justice & Protection	412,263	88,166	67,406	-
Natural Resources Development & Protection	196,780	95,318	46,881	-
Transportation Safety & Development	295,514	103,759	232,591	-
Interest Expense	48,594	-	-	-
Total Governmental Activities	<u>7,180,928</u>	<u>492,251</u>	<u>3,525,858</u>	<u>-</u>
Business-Type Activities:				
Employment Security	235,301	127,438	44,629	-
Alcoholic Beverages	1	12,528	-	-
Lottery	166,721	219,966	-	-
Transportation	8,173	1,929	-	-
Marine Ports	1,354	47	-	-
Ferry Services	10,817	4,951	-	-
Military Equipment Maintenance	45,004	49,487	-	-
Dirigo Health	50,952	65,609	-	-
Other	8,395	7,079	-	-
Total Business-Type Activities	<u>526,718</u>	<u>489,034</u>	<u>44,629</u>	<u>-</u>
Total Primary Government	<u>\$ 7,707,646</u>	<u>\$ 981,285</u>	<u>\$ 3,570,487</u>	<u>\$ -</u>
<b>Component Units:</b>				
Finance Authority of Maine	38,661	13,123	21,972	-
Maine Community College System	119,856	22,460	48,943	4,207
Maine Health & Higher Educational Facilities Authority	58,694	55,267	6,321	-
Maine Municipal Bond Bank	79,793	58,012	10,311	31,580
Maine State Housing Authority	268,767	79,050	184,865	-
University of Maine System	660,488	298,056	213,264	7,784
All Other Non-Major Component Units	121,746	41,385	58,074	4,452
Total Component Units	<u>\$ 1,348,005</u>	<u>\$ 567,353</u>	<u>\$ 543,750</u>	<u>\$ 48,023</u>
<b>General Revenues:</b>				
Taxes:				
Corporate				
Individual Income				
Fuel				
Property				
Sales & Use				
Other				
Unrestricted Investment Earnings				
Non-Program Specific Grants, Contributions & Appropriations				
Miscellaneous Income				
Loss on Assets Held for Sale				
Tobacco Settlement				
Special Items				
Extraordinary Items				
Transfers - Internal Activities				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning (As Restated)				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (363,353)	\$ -	\$ (363,353)	\$ -
(7,867)	-	(7,867)	-
610	-	610	-
(66,687)	-	(66,687)	-
(1,451,693)	-	(1,451,693)	-
(954,799)	-	(954,799)	-
(256,691)	-	(256,691)	-
(54,581)	-	(54,581)	-
40,836	-	40,836	-
(48,594)	-	(48,594)	-
(3,162,819)	-	(3,162,819)	-
-	(63,234)	(63,234)	-
-	12,527	12,527	-
-	53,245	53,245	-
-	(6,244)	(6,244)	-
-	(1,307)	(1,307)	-
-	(5,866)	(5,866)	-
-	4,483	4,483	-
-	14,657	14,657	-
-	(1,316)	(1,316)	-
-	6,945	6,945	-
\$ (3,162,819)	\$ 6,945	\$ (3,155,874)	\$ -
-	-	-	(3,566)
-	-	-	(44,246)
-	-	-	2,894
-	-	-	20,110
-	-	-	(4,852)
-	-	-	(141,384)
-	-	-	(17,835)
\$ -	\$ -	\$ -	\$ (188,879)
282,998	-	282,998	-
1,297,568	-	1,297,568	-
191,390	-	191,390	-
46,627	-	46,627	-
1,116,301	-	1,116,301	-
258,775	-	258,775	-
12,378	-	12,378	15,345
-	-	-	267,970
92,536	-	92,536	10,503
-	-	-	(467)
51,601	-	51,601	-
(11,728)	-	(11,728)	-
-	-	-	1,185
37,279	(37,279)	-	-
3,375,725	(37,279)	3,338,446	294,536
212,906	(30,334)	182,572	105,657
3,780,081	413,607	4,193,688	2,031,655
\$ 3,992,987	\$ 383,273	\$ 4,376,260	\$ 2,137,312



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

General Fund – This is the State's primary operating fund. Its purpose is to account for all financial resources obtained and used for general government operations, which are not required to be accounted for in another fund.

Highway Fund – This fund is used primarily to account for motor fuel tax revenues, motor vehicle license and registration fees, and special State appropriations that are legally restricted to the construction and maintenance of State highways and bridges.

Federal Fund – This fund is used to account for grants, block grants and other financial assistance received from the federal government, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

Other Special Revenue Fund – This fund is used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects that are not accounted for in the Highway and Federal Funds.

## NON-MAJOR FUNDS

*Other Governmental Funds* are used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects and funds held in trust for public purposes.

Other governmental funds are presented, by fund type, beginning on page 115.

# STATE OF MAINE BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2010  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ 8,775	\$ 59,181	\$ 19,333	\$ 92,320	\$ 100	\$ 179,709
Cash and Short-Term Investments	140	116	2	39	-	297
Cash with Fiscal Agent	426	1,363	-	149,851	-	151,640
Investments	-	-	-	-	65,394	65,394
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	217	-	-	-	36,232	36,449
Inventories	1,287	-	717	-	-	2,004
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	375,366	21,289	-	9,213	-	405,868
Loans Receivable	1	44	-	5,605	-	5,650
Other Receivable	63,378	1,747	60,773	69,740	-	195,638
Due from Other Funds	13,370	2,069	672	160,191	-	176,302
Due from Other Governments	-	-	598,457	-	-	598,457
Due from Component Units	-	-	-	19,344	116	19,460
Other Assets	1,732	-	397	13,482	13	15,624
Working Capital Advances Receivable	111	-	-	-	-	111
<b>Total Assets</b>	<b>\$ 464,803</b>	<b>\$ 85,809</b>	<b>\$ 680,351</b>	<b>\$ 519,785</b>	<b>\$ 101,855</b>	<b>\$ 1,852,603</b>
<b>Liabilities and Fund Balances</b>						
Accounts Payable	\$ 199,023	\$ 12,175	\$ 544,167	\$ 31,389	\$ 1,481	\$ 788,235
Accrued Payroll	17,312	7,085	4,044	6,779	-	35,220
Tax Refunds Payable	137,338	11	-	-	-	137,349
Due to Other Governments	-	-	90,598	-	-	90,598
Due to Other Funds	203,488	3,191	8,788	3,890	38	219,395
Due to Component Units	13,460	26	8,232	396	1,281	23,395
Deferred Revenue	198,812	6,502	1,472	33,673	3	240,462
Other Accrued Liabilities	3,618	416	968	1,176	-	6,178
<b>Total Liabilities</b>	<b>773,051</b>	<b>29,406</b>	<b>658,269</b>	<b>77,303</b>	<b>2,803</b>	<b>1,540,832</b>
<b>Fund Balances:</b>						
Reserved						
Continuing Appropriations	89,400	73,263	90,001	250,392	170	503,226
Capital Projects	-	-	-	-	33,558	33,558
Permanent Trusts	-	-	-	-	12,250	12,250
Other	13,370	702	-	34,227	53,074	101,373
Unreserved	(411,018)	(17,562)	(67,919)	157,863	-	(338,636)
<b>Total Fund Balances</b>	<b>(308,248)</b>	<b>56,403</b>	<b>22,082</b>	<b>442,482</b>	<b>99,052</b>	<b>311,771</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 464,803</b>	<b>\$ 85,809</b>	<b>\$ 680,351</b>	<b>\$ 519,785</b>	<b>\$ 101,855</b>	<b>\$ 1,852,603</b>

The accompanying notes are an integral part of the financial statements.

# STATE OF MAINE

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2010  
(Expressed in Thousands)

Total fund balances for governmental funds		\$ 311,771
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,679,672	
Less: Accumulated depreciation	<u>(213,488)</u>	4,466,184
Other Post-Employment Benefit Assets are not financial resources		761
Pollution Remediation Receivable		13,682
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:		
Bonds Payable	(689,180)	
Interest Payable Related to Long-term Financing	(5,758)	
Certificates of Participation and Other Financing Arrangements	(38,461)	
Due to Federal Government - Disallowed Costs in Litigation	(755)	
Loans Payable to Component Unit	(258,394)	
Compensated Absences	(41,511)	
Pension Obligation	(7,845)	
Other Post-Employment Benefit Obligation	(117,700)	
Pollution Remediation Obligation	<u>(50,028)</u>	(1,209,632)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		231,542
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		178,679
Net assets of governmental activities		<u>\$ 3,992,987</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 2,756,435	\$ 217,612	\$ -	\$ 241,252	\$ -	\$ 3,215,299
Assessments and Other Revenue	117,119	83,695	4	133,838	-	334,656
Federal Grants and Reimbursements	11,047	-	3,517,272	6,905	-	3,535,224
Service Charges	50,852	6,409	764	101,829	-	159,854
Investment Income	567	162	35	2,866	7,643	11,273
Miscellaneous Revenue	12,284	644	323	129,597	1,661	144,509
Total Revenues	<u>2,948,304</u>	<u>308,522</u>	<u>3,518,398</u>	<u>616,287</u>	<u>9,304</u>	<u>7,400,815</u>
<b>Expenditures</b>						
Current:						
Governmental Support & Operations	257,093	34,832	9,120	131,057	10,189	442,291
Economic Development & Workforce Training	35,646	-	328,550	23,998	13,645	401,839
Education	1,419,891	-	292,926	52,225	11,165	1,776,207
Health and Human Services	758,808	-	2,581,250	268,587	-	3,608,645
Business Licensing & Regulation	22	-	2,817	70,968	-	73,807
Natural Resources Development & Protection	67,324	35	46,371	103,096	7,772	224,598
Justice and Protection	270,581	30,532	67,939	46,142	495	415,689
Arts, Heritage & Cultural Enrichment	7,311	-	2,770	778	754	11,613
Transportation Safety & Development	-	222,676	209,298	71,004	33,639	536,617
Debt Service:						
Principal Payments	92,035	11,820	7,625	8,607	-	120,087
Interest Payments	24,103	4,803	2,947	7,479	-	39,332
Total Expenditures	<u>2,932,814</u>	<u>304,698</u>	<u>3,551,613</u>	<u>783,941</u>	<u>77,659</u>	<u>7,650,725</u>
Revenue over (under) Expenditures	<u>15,490</u>	<u>3,824</u>	<u>(33,215)</u>	<u>(167,654)</u>	<u>(68,355)</u>	<u>(249,910)</u>
Other Financing Sources (Uses):						
Transfer from Other Funds	106,694	16,470	48,702	179,089	1,764	352,719
Transfer to Other Funds	(205,768)	(10,245)	(20,568)	(68,785)	(4,230)	(309,596)
COP's and Other	382	367	-	39,771	-	40,520
Loan Proceeds from Component Units	-	-	-	142,857	-	142,857
Bonds Issued	-	-	-	13,275	56,835	70,110
Net Other Finance Sources (Uses)	<u>(98,692)</u>	<u>6,592</u>	<u>28,134</u>	<u>306,207</u>	<u>54,369</u>	<u>296,610</u>
Special Item	48,347	11,102	-	3,666	-	63,115
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(34,855)</u>	<u>21,518</u>	<u>(5,081)</u>	<u>142,219</u>	<u>(13,986)</u>	<u>109,815</u>
Fund Balances at Beginning of Year	<u>(273,393)</u>	<u>34,885</u>	<u>27,163</u>	<u>300,263</u>	<u>113,038</u>	<u>201,956</u>
Fund Balances at End of Year	<u>\$ (308,248)</u>	<u>\$ 56,403</u>	<u>\$ 22,082</u>	<u>\$ 442,482</u>	<u>\$ 99,052</u>	<u>\$ 311,771</u>

The accompanying notes are an integral part of the financial statements.



# STATE OF MAINE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2010  
(Expressed in Thousands)

Net change in fund balances - total governmental funds		\$ 109,815
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:		
Capital outlay	288,949	
Depreciation expense	<u>(17,067)</u>	271,882
The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.		(5,956)
Post-employment benefit asset funding, net		(28,007)
Pollution Remediation Receivable		(3,327)
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Assets. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Assets. This is the amount that proceeds exceed repayments:		
Bond proceeds	(70,110)	
Proceeds from other financing arrangements	(40,520)	
Loan proceeds from component unit	(142,857)	
Repayment of bond principal	103,855	
Repayment of other financing debt	19,136	
Repayment of pledged revenue principal	16,232	
Accrued interest	<u>(1,456)</u>	(115,720)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Assets and have been eliminated from the Statement of Activities as follows:		
Pension obligation	11,036	
Other post-employment benefit obligation	(45,911)	
Pollution remediation obligation	14,848	
Claims payable	-	
Due to Federal Government - Disallowed Costs in Litigation	28,245	
Compensated absences	<u>(367)</u>	7,851
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(21,519)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		(2,113)
Changes in net assets of governmental activities		<u>\$ 212,906</u>

The accompanying notes are an integral part of the financial statements.



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# PROPRIETARY FUND FINANCIAL STATEMENTS

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## MAJOR FUND

Unemployment Compensation Fund - This fund accounts for unemployment insurance contributions from employers and the payment of unemployment benefits to eligible claimants.

## NON-MAJOR FUNDS

Other *Non-Major Enterprise Funds* are used to account for operations that are financed and operated in a manner similar to private business, where the State intends to finance or recover the costs of providing goods or services to the General Public on a continuing basis primarily through user charges. The State also uses these funds where periodic determination of net income is appropriate for accountability purposes.

Non-major enterprise funds are presented beginning on page 135.

Combining fund statements for the internal service funds, whose combined totals are presented on these statements, begin on page 143.

# STATE OF MAINE STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2010  
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Totals	
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 11,226	\$ 11,226	\$ 164,343
Cash and Short-Term Investments	-	756	756	3
Cash with Fiscal Agent	-	-	-	14,824
Restricted Assets:				
Restricted Deposits and Investments	292,354	-	292,354	3,325
Inventories	-	2,461	2,461	3,618
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	30,342	27,391	57,733	2,318
Due from Other Funds	117	501	618	22,395
Due from Component Units	-	173	173	-
Other Current Assets	-	2,496	2,496	907
Total Current Assets	322,813	45,004	367,817	211,733
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	-	97,635	97,635	151,959
Total Noncurrent Assets	-	97,635	97,635	151,959
Total Assets	322,813	142,639	465,452	363,692
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	1,230	5,562	6,792	22,752
Accrued Payroll	-	1,607	1,607	2,449
Due to Other Governments	-	-	-	11,941
Due to Other Funds	169	8,223	8,392	7,108
Due to Component Units	-	-	-	3,505
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	10,979
Obligations Under Capital Leases	-	-	-	6,090
Claims Payable	-	-	-	23,688
Compensated Absences	-	53	53	288
Deferred Revenue	-	12,801	12,801	574
Other Accrued Liabilities	766	15,165	15,931	393
Total Current Liabilities	2,165	43,411	45,576	89,767
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	37,500	37,500	804
Certificates of Participation and Other Financing Arrangements	-	-	-	26,851
Obligations Under Capital Leases	-	-	-	27,239
Claims Payable	-	-	-	34,600
Compensated Absences	-	755	755	3,989
Total Long-Term Liabilities	-	38,255	38,255	93,594
Total Liabilities	2,165	81,666	83,831	183,361
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	97,635	97,635	90,849
Restricted for:				
Unemployment Compensation	320,648	-	320,648	-
Other Purposes	-	-	-	2,117
Unrestricted	-	(36,662)	(36,662)	87,365
Total Net Assets	\$ 320,648	\$ 60,973	\$ 381,621	\$ 180,331

Amounts reported for business-type activities in the government-wide Statement of Net Assets are different due to elimination of the State's internal business-type activities.

1,652

Net Assets of Business-Type Activities

\$ 383,273

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Major Employment Security	Non-Major Other Enterprise	Totals	
Operating Revenues				
Charges for Services	\$ -	\$ 347,887	\$ 347,887	\$ 472,377
Assessments	127,438	1,435	128,873	-
Miscellaneous Revenues	30,248	89	30,337	1,024
Total Operating Revenues	157,686	349,411	507,097	473,401
Operating Expenses				
General Operations	-	284,459	284,459	373,865
Depreciation	-	7,523	7,523	17,304
Claims/Fees Expense	235,301	-	235,301	9,677
Other Operating Expenses	-	-	-	372
Total Operating Expenses	235,301	291,982	527,283	401,218
Operating Income (Loss)	(77,615)	57,429	(20,186)	72,183
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	14,381	-	14,381	1,105
Interest Expense	-	-	-	(7,750)
Other Nonoperating Revenues (Expenses)- net	-	12,185	12,185	(459)
Total Nonoperating Revenues (Expenses)	14,381	12,185	26,566	(7,104)
Income (Loss) Before Capital Contributions, Transfers and Special Items	(63,234)	69,614	6,380	65,079
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	8,873	8,873	4,467
Transfers from Other Funds	1,452	11,005	12,457	14,257
Transfers to Other Funds	(1,540)	(57,069)	(58,609)	(10,508)
Special Items	-	-	-	(74,843)
Total Capital Contributions, Transfers In (Out) and Special Items	(88)	(37,191)	(37,279)	(66,627)
Change in Net Assets	(63,322)	32,423	(30,899)	(1,548)
Total Net Assets - Beginning of Year	383,970	28,550		181,879
Total Net Assets - End of Year	\$ 320,648	\$ 60,973		\$ 180,331

Amounts reported for business-type activities in the government-wide Statement of Activities  
are different due to elimination of the State's internal business-types activities

565

Changes in Business-Types Net Assets

\$ (30,334)

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

June 30, 2010  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Major Employment Security	Non-Major Other Enterprise	Totals	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 158,612	\$ 352,968	\$ 511,580	\$ 669,003
Payments of Benefits	(239,444)	-	(239,444)	-
Payments to Prize Winners	-	(134,817)	(134,817)	-
Payments to Suppliers	-	(128,643)	(128,643)	(314,132)
Payments to Employees	-	(37,668)	(37,668)	(76,747)
Net Cash Provided (Used) by Operating Activities	(80,832)	51,840	(28,992)	278,124
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers in	1,452	11,005	12,457	14,247
Operating Transfers out	(1,540)	(57,069)	(58,609)	(10,498)
Special Items - Return of Equity	-	-	-	(74,843)
Net Cash Provided (Used) by Noncapital Financing Activities	(88)	(46,064)	(46,152)	(71,094)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	(197)	(197)	(27,079)
Proceeds from Financing Arrangements	-	-	-	28,455
Principal and Interest Paid on Financing Arrangements	-	-	-	(228,954)
Proceeds from Sale of Capital Assets	-	(7)	(7)	204
Net Cash Provided (Used) by Capital Financing Activities	-	(204)	(204)	(227,374)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	14,381	269	14,650	1,105
Net Cash Provided (Used) by Investing Activities	14,381	269	14,650	1,105
Net Increase (Decrease) in Cash/Cash Equivalents	(66,539)	5,841	(60,698)	(19,239)
Cash/Cash Equivalents - Beginning of Year	358,893	6,141	365,034	201,734
Cash/Cash Equivalents - End of Year	\$ 292,354	\$ 11,982	\$ 304,336	\$ 182,495
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ (77,615)	\$ 57,429	\$ (20,186)	\$ 72,183
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	-	7,523	7,523	17,304
Decrease (Increase) in Assets				
Accounts Receivable	920	3,326	4,246	193,683
Interfund Balances	(633)	(17,658)	(18,291)	(6,607)
Inventories	-	902	902	451
Other Assets	-	-	-	(2)
Increase (Decrease) in Liabilities				
Accounts Payable	(2,776)	50	(2,726)	5,119
Accrued Payroll Expenses	-	(373)	(373)	(1,612)
Due to Other Governments	-	-	-	11,941
Change in Compensated Absences	-	(72)	(72)	55
Other Accruals	(728)	713	(15)	(14,310)
Total Adjustments	(3,217)	(5,589)	(8,806)	206,022
Net Cash Provided (Used) by Operating Activities	\$ (80,832)	\$ 51,840	\$ (28,992)	\$ 278,205
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	337
Contributed Capital Assets	-	8,873	8,873	4,467
Decrease of deferred revenue from the sale of liquor operations	-	12,500	12,500	-

The accompanying notes are an integral part of the financial statements.

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 270 local municipalities and other public entities in Maine.

Other Private-Purpose Trusts and Agency Funds are used to account for private-purpose assets held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. *Private-Purpose Trusts* also include assets of NextGen College Investing Plan.

A listing of fiduciary funds and combining fund statements for private-purpose trusts and agency funds begins on page 155.

# STATE OF MAINE

## STATEMENT OF FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

June 30, 2010  
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 1,380	\$ 9,484
Cash and Short-Term Investments	50,143	-	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	21,417	-	-
Interest and Dividends	7,179	3,598	-
Due from Brokers for Securities Sold	761,331	6,469	-
Investments at Fair Value:			
Debt Securities	366,840	-	-
Equity Securities	2,743,880	-	-
Common/Collective Trusts	5,859,752	-	-
Foreign Governments and Agencies	41,206	-	11
Other	1,409	9,827	-
Securities Lending Collateral	381,545	-	-
Due from other funds	-	35,592	-
Investments Held on Behalf of Others	-	4,813,182	60,452
Capital Assets - Net of Depreciation	10,800	-	-
Other Assets	-	4,668	503
Total Assets	<u>10,245,502</u>	<u>4,874,716</u>	<u>70,477</u>
<b>Liabilities</b>			
Accounts Payable	6,268	3,307	-
Due to Other Funds	-	9	3
Due to Brokers for Securities Purchased	612,381	6,625	-
Agency Liabilities	-	-	70,427
Obligations Under Securities Lending	381,545	-	-
Other Accrued Liabilities	19,345	-	47
Total Liabilities	<u>1,019,539</u>	<u>9,941</u>	<u>70,477</u>
<b>Net Assets</b>			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>9,225,963</u>	<u>4,864,775</u>	<u>-</u>
Total Net Assets	<u>\$ 9,225,963</u>	<u>\$ 4,864,775</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.



# STATE OF MAINE

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	\$ 165,923	\$1,707,707
State and Local Agencies	401,925	-
Investment Income (Loss):		
Net Increase in the Fair Value of Investments	877,145	406,923
Capital Gains Distributions from Investments	-	447
Interest and Dividends	104,976	95,705
Securities Lending Income	919	-
Less Investment Expense:		
Investment Activity Expense	22,019	-
Securities Lending Expense	(562)	-
Net Investment Income	961,583	503,075
Miscellaneous Revenues	-	11,062
Transfers In	-	592
Total Additions	1,529,431	2,222,436
Deductions:		
Benefits Paid to Participants or Beneficiaries	712,436	1,564,337
Refunds and Withdrawals	23,533	-
Administrative Expenses	9,844	38,823
Claims Processing Expense	803	-
Transfers Out	-	1,316
Total Deductions	746,616	1,604,476
Net Increase	782,815	617,960
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	8,443,148	4,246,815
End of Year	\$ 9,225,963	\$4,864,775

The accompanying notes are an integral part of the financial statements.



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# COMPONENT UNIT FINANCIAL STATEMENTS

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Finance Authority of Maine (FAME) – The Authority provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents; administers several revolving loan programs on behalf of the State; and administers the Maine College Savings Program Fund.

Maine Community College System is Maine's primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The financial statements of the system include the activity of seven colleges, the central administrative office, and the Maine Career Advantage.

Maine Health & Higher Educational Facilities Authority – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may finance student loan programs of institutions of higher education.

Maine Municipal Bond Bank is authorized to issue bonds providing funds to counties, cities, towns, school districts, or other quasi-municipal corporations within the State.

Maine State Housing Authority is authorized to issue bonds for the purchase of notes and mortgages on single- and multi-family residential units to provide housing for persons and families of low income in the State. The Authority also acts as agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs, and collecting and disbursing federal rent subsidies for low income housing.

University of Maine System – The State University consists of seven campuses and a central administrative office.

Non-Major Component Units combining fund statements begin on page 165.

**STATE OF MAINE**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**

June 30, 2010  
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
<b>Assets</b>			
Current Assets:			
Equity in Treasurer's Cash Pool	\$ 24,599	\$ 15,820	\$ 5,005
Cash and Cash Equivalents	11,864	72	6,185
Investments	55,164	26,279	55,194
Restricted Assets:			
Restricted Deposits and Investments	-	-	-
Inventories	-	1,421	-
Receivables, Net of Allowance for Uncollectibles:			
Loans Receivable	-	-	42,791
Notes Receivable	-	-	-
Other Receivables	4,316	3,975	2,796
Due from Other Governments	156	-	-
Due from Primary Government	-	963	-
Loans receivable from primary government	-	-	-
Other Current Assets	2,595	952	600
Total Current Assets	98,694	49,482	112,571
Noncurrent Assets:			
Assets Held in Trust	-	-	-
Restricted Assets:			
Restricted Deposits and Investments	-	2,104	135,859
Investments	-	9,801	-
Receivables, Net of Current Portion:			
Loans Receivable	-	-	1,236,082
Notes Receivable	194,919	-	-
Other Receivables	-	-	216
Due from Other Governments	-	-	-
Due from Primary Government	-	-	-
Loans receivable from primary government	-	-	-
Post-Employment Benefit Asset	-	8,853	-
Capital Assets - Net of Depreciation	2,502	124,665	-
Other Noncurrent Assets	-	257	-
Total Noncurrent Assets	197,421	145,680	1,372,157
Total Assets	296,115	195,162	1,484,728
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	7,606	4,082	398
Accrued Payroll	-	-	-
Compensated Absences	-	1,925	-
Due to Other Governments	-	-	851
Due to Primary Government	-	-	-
Amounts Held under State & Federal Loan Programs	-	-	-
Undistributed Grants and Administrative Funds	12,854	-	-
Allowances for Losses on Insured Commercial Loans	13,013	-	-
Bonds Payable	805	-	43,020
Notes Payable	-	52	-
Obligations under Capital Leases	-	-	-
Accrued Interest Payable	658	-	24,986
Deferred Revenue	1,394	1,633	3,164
Current portion of OPEB obligation	-	-	-
Other Current Liabilities	3	7,656	-
Total Current Liabilities	36,333	15,348	72,419
Long-Term Liabilities:			
Due to Other Governments	814	-	784
Amounts Held under State & Federal Loan Programs	47,688	-	-
Bonds Payable	172,199	-	1,363,270
Notes Payable	-	24,681	-
Obligations under Capital Leases	-	3,490	-
Deferred Revenue	-	-	-
Other Noncurrent Liabilities	-	-	-
Total Long-Term Liabilities	220,701	28,171	1,364,054
Total Liabilities	257,034	43,519	1,436,473
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,502	97,840	-
Restricted	9,546	22,447	28,545
Unrestricted	27,033	31,356	19,710
Total Net Assets	\$ 39,081	\$ 151,643	\$ 48,255

The accompanying notes are an integral part of the financial statements.

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# STATE OF MAINE

## STATEMENT OF ACTIVITIES

### COMPONENT UNITS

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<b>Finance Authority of Maine</b>	<b>Maine Community College System</b>	<b>Maine Health and Higher Educational Facilities Authority</b>
<b>Expenses</b>	\$ 38,661	\$ 119,856	\$ 58,694
<b>Program Revenues</b>			
Charges for Services	13,123	22,460	55,267
Program Investment Income	788	1,284	6,321
Operating Grants and Contributions	21,184	47,659	-
Capital Grants and Contributions	-	4,207	-
	<u>(3,566)</u>	<u>(44,246)</u>	<u>2,894</u>
Net Revenue (Expense)			
<b>General Revenues</b>			
Unrestricted Investment Earnings	1,277	1,948	350
Non-program Specific Grants, Contributions and Appropriations	-	53,713	-
Miscellaneous Income	6,384	1,891	102
Gain (Loss) on Assets Held for Sale	-	240	-
Extraordinary Items - Discontinued Operations	-	-	1,185
	<u>7,661</u>	<u>57,792</u>	<u>1,637</u>
Total General Revenues			
Change in Net Assets	4,095	13,546	4,531
Net Assets, Beginning of the Year (as restated)	34,986	138,097	43,724
	<u>\$ 39,081</u>	<u>\$ 151,643</u>	<u>\$ 48,255</u>
Net Assets, End of Year			

The accompanying notes are an integral part of the financial statements.

<b>Maine Municipal Bond Bank</b>	<b>Maine State Housing Authority</b>	<b>University of Maine System</b>	<b>Non-Major Component Units</b>	<b>Totals</b>
\$ 79,793	\$ 268,767	\$ 660,488	\$ 121,746	\$1,348,005
58,012	79,050	298,056	41,385	567,353
9,038	7,232	3,932	2,198	30,793
1,273	177,633	209,332	55,876	512,957
31,580	-	7,784	4,452	48,023
20,110	(4,852)	(141,384)	(17,835)	(188,879)
218	12	10,733	807	15,345
-	-	197,278	16,979	267,970
1,490	-	-	636	10,503
-	-	(643)	(64)	(467)
-	-	-	-	1,185
1,708	12	207,368	18,358	294,536
21,818	(4,840)	65,984	523	105,657
536,689	322,030	809,507	146,622	2,031,655
<u>\$ 558,507</u>	<u>\$ 317,190</u>	<u>\$ 875,491</u>	<u>\$ 147,145</u>	<u>\$2,137,312</u>





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# **NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Maine (the State) have been prepared under guidelines established by generally accepted accounting principles (GAAP) as mandated by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

**A. REPORTING ENTITY**

For financial reporting purposes, the State of Maine's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, organizations, agencies, boards, commissions and authorities. Component units are legally separate organizations for which the State is financially accountable. Component units can also be legally separate, tax exempt entities that raise and hold economic resources for the direct benefit of a governmental unit.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The State is financially accountable for those entities for which it appoints a voting majority of the governing board and either is able to impose its will on that entity or the entity may provide specific financial benefits to, or impose specific financial burdens on, the primary government. Entities for which the State does not appoint a voting majority of the governing board may be included if the organization is fiscally dependent on the primary government or if the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, establishes criteria for legally separate, tax-exempt entities that should be reported as component units if all of the criteria are met. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, a few of the component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

**Blended Component Units** - The Maine Governmental Facilities Authority (MGFA) is a legally separate organization that has its board appointed by the primary government and provides services entirely, or almost entirely, to the State. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

The MGFA was created in 1997, as a successor to the Maine Court Facilities Authority, for the purpose of assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASBS 14, capital leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund.

**Discrete Component Units** - Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. Component units that are not material to the State's financial statements have been excluded. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government.

The State is able to impose its will upon these discretely presented component units:

*The Maine Community College System* is Maine's primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The combined financial statements of the System include the activity of seven colleges, the central administrative office, the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

*The University of Maine System* is the State University governed by a single Board of Trustees appointed by the Governor. The combined financial statements of the System include the activity of seven universities, eleven centers, the central administrative office, and its component units, which include several foundations and alumni associations that raise funds on the System's behalf.

There is a financial burden/benefit relationship between these entities and the State:

*The Finance Authority of Maine* provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the Potato Marketing Improvement Fund Board, the Nutrient Management Fund Board, the Northern Maine Transmission Corporation, the Adaptive Equipment Loan Program Fund Board, the Fund Insurance Review Board, the Agricultural Marketing Loan Fund Board, and the Occupational Safety Program Fund Board. Additionally, the Authority administers the Maine College Savings Program. Net assets of the program, NextGen College Investing Plan, are included in the State's fiduciary fund financial statements. The Governor appoints the fifteen voting members of the Authority.

*Maine Health & Higher Educational Facilities Authority (MHHEFA)* – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of their facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may also finance student loan programs of institutions of higher education. MHHEFA consists of twelve members, four of whom serve *ex officio* and must be the Superintendent of Financial Institutions, the Commissioner of Health and Human Services, the Commissioner of Education, and the Treasurer of State. The remaining eight members must be residents of the State appointed by the Governor.

*The Maine Municipal Bond Bank* issues bonds on behalf of counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations or eligible borrowers as designated by the Legislature (the "governmental units") within the State. The Governor appoints three residents of the State to the five-member Board of Commissioners. The remaining two members include the Treasurer of State and Superintendent of Financial Institutions who serve as commissioners, *ex officio*.

*Maine State Housing Authority* issues bonds to purchase notes and mortgages on residential units, both single and multi-family, for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as an agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs and collecting and disbursing federal rent subsidies for low income housing. The Governor appoints five of the Authority's seven commissioners. The remaining two commissioners are the Treasurer of State and the Director of the Maine State Housing Authority, both of whom serve *ex officio*. The Authority's fiscal year ends on December 31.

The State's financial statements also include a fiduciary component unit:

*Maine Public Employees Retirement System* administers an agent-multiple employer public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 293 local municipalities and other public entities in

Maine. The Governor appoints four of the Board's eight voting trustees. A fifth trustee is either the Treasurer of State or the Deputy Treasurer of State.

Complete financial statements of the major component units can be obtained directly from their respective administrative offices by writing to:

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04332-0949	Maine Governmental Facilities Authority PO Box 2268 Augusta, ME 04338-2268	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338-2268	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330-4633
Maine Community College System 323 State Street Augusta, ME 04330-7131	Maine Health and Higher Ed. Facilities Authority PO Box 2268 Augusta, ME 04338-2268	Maine Public Employees Retirement System 46 State House Station Augusta, ME 04333-0046	University of Maine System 16 Central Street Bangor, ME 04401-5106

### Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Maine Turnpike Authority and the Maine Veteran's Home. The primary government has no material accountability for these organizations beyond making board appointments.

## B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$504.9 million of restricted net assets, of which \$19.9 million is restricted by enabling legislation.

**Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting

the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

### **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

## **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

### **Measurement Focus and Basis of Accounting**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or prior to November 30, 1989, except those that conflict with a GASB pronouncement. The FASB pronouncements issued after November 30, 1989, are not followed in the preparation of the accompanying financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the governmental funds when they become susceptible to accrual, generally when they become both measurable and available. "Available" means earned and collected or expected to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues available if they are collected within 60 days of the end of the fiscal year.

Significant revenues susceptible to accrual include: income taxes, sales and use taxes, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received because they are generally not measurable until received in cash. Property taxes are recognized as revenue in the year for which they are levied, provided the "available" criterion is met.

The State Tax Assessor levies taxes on properties located in the unorganized territory of Maine by August 1 of each year, and on telecommunications personal properties statewide by May 30 of each year. Unorganized territory property taxes are due on October 1 and telecommunications personal property taxes are due on August 15. Formal collection procedures begin on November 1, and unpaid property taxes become a lien no later than March 15 of the fiscal year for which they are levied.

Expenditures are generally recorded when a liability is incurred. However, expenditures related to claims and judgments, debt service and compensated absences are recorded only when payment is due and payable.

**Financial Statement Presentation**

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *Highway Fund* accounts for the regulation, construction and maintenance of State highways and bridges and is funded by motor fuel taxes, motor vehicle license and registration fees, special State appropriations, and other charges.

The *Federal Fund* accounts for grants and other financial assistance received from the federal government, including federal block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally restricted to expenditures for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds. Examples of the most significant types of revenue sources include: Fund for a Healthy Maine (tobacco settlement revenue), State municipal revenue sharing, hospital and service provider taxes, and oil transfer fees.

The State reports the following major enterprise fund:

The *Maine Employment Security Fund* receives contributions from employers and provides unemployment compensation benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

**Governmental Fund Types:**

*Special Revenue Funds* include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. An example is funds for acquisition of public reserved lands.

*Capital Projects Funds* account for the acquisition or construction of major capital assets and other programs financed by bond proceeds.

*Permanent Trust Funds* report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. An example is the Baxter State Park Fund.

**Proprietary Fund Types:**

*Enterprise Funds* report the activities for which fees are charged to external users for goods or services, such as the unemployment compensation program, lottery operations and transportation services.

*Internal Service Funds* provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include printing and mailing services, supplies warehousing, information technology, fleet management, risk management, health-related benefits, and financing for acquisition and construction of governmental facilities.

**Fiduciary Fund Types:**

*Pension (and Other Employee Benefit) Trust Funds* report resources that are required to be held in trust for members and beneficiaries of the State's pension, death and disability benefit plans. These resources are managed by the Maine Public Employees Retirement System (MPERS). The fund also reports resources that are required to be held in trust for members and beneficiaries of the State's retiree healthcare benefits. The investment trust, managed by the Maine Public Employees Retirement System, holds the long-term

investments of the trust. The trustees of the Other Employee Benefit Trust Fund are the State Controller and State Treasurer.

*Private Purpose Trust Funds* report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include Abandoned Property, Public Reserved Lands, Permanent School funds and NextGen College Investing Plan.

*Agency Funds* report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples include amounts held for payroll withholdings, inmate and student guardianship accounts.

#### **D. FISCAL YEAR-ENDS**

All funds and discretely presented major component units are reported using fiscal years which end on June 30, except for the Maine Educational Loan Authority and the Maine State Housing Authority, which utilize December 31 year-ends.

#### **E. ASSETS, LIABILITIES, AND NET ASSETS/FUND BALANCE**

##### **Equity in Treasurer's Cash Pool**

The State pools cash and cash equivalents for a variety of State agencies and public sector entities. The pooled balances are reported at fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. The Treasurer's Cash Pool has the general characteristics of a demand deposit account and is comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations, certificates of deposit, and corporate bonds.

For component units that participate in the cash pool, equity is shown at fair value.

##### **Cash and Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments that are both readily convertible to known amounts of cash and are near maturity. On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts reported on the Statement of Net Assets as "Equity in Treasurer's Cash Pool," "Cash and Cash Equivalents," "Cash with Fiscal Agent," "Restricted Equity in Treasurer's Cash Pool," and "Restricted Deposits and Investments."

##### **Cash with Fiscal Agent**

Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds, the unspent proceeds of bonds and Certificates of Participation, as well as unspent funds of the Maine Biological Research Board being held by the State.

Cash with Fiscal Agent in Proprietary Funds represents proceeds of Certificates of Participation and other financing arrangements that have not been spent.

Other investments of the State are carried at fair value. Donated investments are stated at fair value at the date of donation.

##### **Investments Held on Behalf of Others**

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$144 million of Workers' Compensation, \$53 million of Bureau of Insurance, and \$25 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.



**Restricted Deposits and Investments**

Restricted deposits and investments include: unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits; cash and investments of the Maine Governmental Facilities Authority, a blended component unit that has been independently audited; unspent bond proceeds, and funds invested in Certificates of Deposit and other investments at various financial institutions within the State. The financial institutions lend these deposits and investments to local commercial and agricultural enterprises to foster economic growth in Maine.

**Inventories**

The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Undistributed vaccines and food commodities are reported as inventory and deferred revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when food stamps are used (EBT cards), and when vaccines and food commodities are issued. Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost.

Inventories included in the component unit column are stated at the lower of cost or market (using the first-in, first-out method).

**Receivables**

Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

**Other Assets**

Other Assets consist primarily of an advance payment of \$12.9 million made to Efficiency Maine Trust, a component unit of the State.

**Interfund Transactions and Balances**

Numerous transactions are made between funds to finance operations, provide services, and acquire or construct assets. To the extent that transactions between funds were not completed as of June 30, interfund receivables and payables have been recorded in the fund financial statements. Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Long-term loans made by one fund to another are classified as "Working Capital Advances Receivable" and "Working Capital Advances Payable." In the fund financial statements, advances receivable are offset by reservations of fund balance indicating that the reserves do not constitute expendable financial resources.

**Due from/to Primary Government/Component Units**

Numerous transactions are made between the primary government and component units to finance operations, provide services, acquire or construct assets, or repay bonds. To the extent that transactions between funds were not completed as of June 30, "Due from Primary Government" and "Due to Component Unit" receivables and payables have been recorded. Two component units have December 31 year ends, therefore the "due to" and "due from" amounts may differ.

**Due from/to Other Governments**

Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other health and human services programs, and federal grants receivable for transportation-related expenditures.

Due from Other Governments in the component units' column represents amounts receivable for grants, bond repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

**Capital Assets**

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, ramps and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. The State capitalizes governmental fund buildings valued at \$1 million or more and proprietary fund buildings valued at \$100 thousand or more. Governmental fund equipment is capitalized at \$10 thousand or more and proprietary fund equipment is capitalized \$5 thousand or more. Governmental and proprietary fund software is capitalized at \$1 million or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at estimated fair market value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

In the government-wide statements, most capital assets are depreciated on a straight-line basis over the assets' estimated useful lives, which are 10-40 years for software, buildings and improvements, and 2-25 years for equipment. The State uses the modified approach for reporting its significant infrastructure assets. As long as the State maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported. This approach is discussed further in the Required Supplementary Information.

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are 5–60 years for structures and improvements and 3–15 years for equipment, furniture, fixtures and vehicles. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them.

**Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate at June 30, 2010 is \$252 million.

**Tax Refunds Payable**

The amount of collected or accrued tax revenues that will be refunded is estimated and accrued as a General Fund liability.

**Claims Payable**

Claims payable represent workers' compensation, retiree health, employee health, and other claims payable, including actual claims submitted and actuarially determined claims incurred but not reported. The actuarially determined claims liability is discounted and presented at net present value.

**Compensated Employee Absences**

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2010 but paid after the fiscal year end is also reported in the funds. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

**Deferred Revenue**

In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, amounts recorded as receivable that do not meet the “availability” criterion for recognition as revenue in the current period are classified as deferred revenue. Resources received by the government before it has a legal claim to them are also included as deferred revenue. Deferred revenue reported in the General Fund relates to sales and income taxes. Deferred revenue in the Federal Fund consists primarily of food commodities not yet issued. Deferred revenue in the Alcoholic Beverages Fund comprises the proceeds from the sale of the State’s liquor operations.

**Loans Payable to Component Unit**

In the Statement of Net Assets, the amount of bond proceeds received by a component unit for unmatured GARVEE and TransCap bond proceeds is called “Loans Payable to Component Unit.” The offsetting receivables are classified as “Loans Receivable from Primary Government.”

**Long-Term Obligations**

In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term obligations are recorded as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

**Net Assets/Fund Balances**

The difference between fund assets and liabilities is “Net Assets” on the government-wide, proprietary, and fiduciary fund statements, and “Fund Balances” on governmental fund statements.

**Fund Balance Reservations**

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either: funds legally restricted for a specific future use, or assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund.

The State reported the following fund balance reservations:

*Continuing Appropriations* - indicates appropriations and encumbrances that the Legislature has specifically authorized to be carried into the next fiscal year, if unexpended.

*Capital Projects* - indicates a legally segregated portion of funds available to finance the construction of major capital facilities.

*Permanent Trusts* – indicates assets reserved for the purpose of the permanent fund.

*Other* - indicates fund balance reserved for other specified purposes including amounts for working capital needs, long-term loans to other funds, transfers to other funds, and contingency funds from which the Governor may allocate sums for various purposes.

**F. REVENUES AND EXPENDITURES/EXPENSES**

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., governmental support & operations, education, health & human services, etc). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general

revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either “dedicated” or “undedicated.” Undedicated revenues are available to fund any activity accounted for in the fund. Dedicated revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused dedicated revenues at year-end are recorded as reservations of fund balance. When both dedicated and undedicated funds are available for use it is the State’s policy to use dedicated resources first.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures for real property or infrastructure (e.g. highways) are included with expenditures by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. general operations and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating, capital contributions, transfers or special items.

## **NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

### **Appropriation Limits**

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 Maine Revised Statutes Annotated (MRSA) § 1665, subsection 1, plus the average forecasted inflation rate. “Average forecasted inflation rate” means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee.

This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits.

The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of, this statute. “Exceptional circumstances” means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

### **Budget Stabilization Fund**

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative \$411 million unreserved General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. As the third priority before any other transfer, the State Controller is required to transfer 35 percent of the unappropriated surplus of the General Fund, when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required

transfer for fiscal year 2010. Per Public Law 2009, Chapter 645, Part H an additional \$5.6 million was transferred from the General Fund unappropriated surplus to the Budget Stabilization fund.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2010 actual General Fund revenue, the statutory cap at the close of fiscal year 2010 and during fiscal year 2010 was \$330.7 million. At the close of fiscal year 2010, the balance of the Maine Budget Stabilization Fund was \$25.4 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

**Budget Stabilization Fund Activity**  
(Expressed in Thousands)

Balance, beginning of year	\$ 195
Increase in fund balance	25,190
Balance, end of year	<u>\$ 25,385</u>

**Budget and Budgetary Expenditures**

The gross unified budget bills and budget document encompass resources from the General Fund, Highway Fund, Federal Expenditures Fund, Federal Block Grant Fund, Other Special Revenue Fund, internal service funds and enterprise funds. Separate gross unified budget bills must be submitted for the General Fund and the Highway Fund. All funds except trust and agency funds, bond funds and costs of goods sold expenditures in internal service funds and enterprise funds are subject to legislative allocation. The biennial budget sets forth proposed expenditures for the administration, operation and maintenance of the departments and agencies of the State Government; all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year. Within this structure, budgetary control by agency is maintained at the program and line category level. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers.

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2010, the Legislature decreased supplemental appropriations to the General Fund by \$77.1 million.

Actual expenditures did not exceed legislatively authorized appropriations at the Department level; therefore, the State complied with all related budget laws at the legal level.

**NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS**

**Accounting Changes**

During fiscal year ended June 30, 2010, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement also requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Retroactive reporting of the provisions of the statement is generally required with the exception of intangible assets considered to have indefinite useful lives and those considered to be internally generated. The state did not have any intangibles assets at June 30, 2010 that were subject to retroactive reporting.

In addition, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This Statement requires the state to report

derivative instruments at fair value as assets or liabilities in the financial statements and to disclose a summary of derivative instrument activity as well as the objectives, significant terms, and risks associated with derivative instruments.

**Restatement – Component Units**

The beginning net assets of the non-major component units increased by \$3.5 million as a result of adding two additional units to the financial statements.

**NOTE 4 - DEFICIT FUND BALANCES/NET ASSETS**

Three internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2010. The Workers' Compensation Fund reported a deficit of \$6.0 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of \$3.9 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$2.3 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of \$50.0 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The Dirigo Health Enterprise Fund shows a deficit of \$84 thousand. This deficit is the result of an increased payable resulting from a payment arrangement with the program's insurance carrier.

The General Fund shows a deficit fund balance of \$308.2 million at June 30, 2010. This deficit is primarily due to the full recognition of the State's share of Medicaid liabilities at fiscal year end, which are funded throughout the year with the aforementioned tax revenue. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Title 5 MRSA § 135 governs the deposit and investment policies of the State of Maine Office of the Treasurer. The Treasurer may deposit State funds, including trust funds of the State, in any of the banking institutions (including trust companies, State or federal savings and loan associations, and mutual savings banks) organized under the laws of this State and any national bank or federal savings and loan association located in the State.

The State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. The Treasurer may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and the consent of the Governor.

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 25 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper; tax-exempt obligations; corporate bonds rated "AAA" that mature within 25 months from the date of investment; banker's acceptances; and "no-load" shares of an investment company registered under the Federal Investment Company

Act of 1940, whose shares maintain a constant share price. Although authorized to do so, the Treasurer does not participate in the securities loan market.

Investment policies of the permanent trusts are governed by Title 5 MRSA § 138. The Treasurer, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Financial Institutions and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B MRSA. The investments need not be segregated to the separate trusts, but the identity of each trust must be maintained. The Treasurer may enter into custodial care and servicing contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

No amounts exceeding 25 percent of the capital, surplus, and undivided profits of any trust company or national bank or 25 percent of the reserve fund and undivided profits of a mutual savings bank or State or federal savings and loan association, shall be on deposit in any one institution at any one time. This restriction does not apply to deposits subject to immediate withdrawal to meet the payment of any bonded debt or interest or to pay current bills or expenses of the State. Also exempt are deposits secured by the pledge of certain securities as collateral or fully covered by insurance.

With assistance from the Finance Authority of Maine, the Treasurer participates in a restricted deposit program to encourage banks to provide loans at two percent below market rate. The Treasurer may invest up to \$8 million in lending institutions at a two percent lower-than-market rate provided the lenders pass the rate reduction on to the borrowers. \$4 million of this program are earmarked for loans to agricultural enterprises and the other \$4 million are designated for commercial entities.

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2010:

**Primary Government Deposits and Investments**  
(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>	<b>Total</b>
Equity in Treasurer's Cash Pool	\$ 344,052	\$ 11,226	\$ 1,380	\$ 9,484	\$ 366,142
Cash and Cash Equivalents	300	756	-	27	1,083
Cash with Fiscal Agent	166,464	-	-	-	166,464
Investments	65,394	-	9,827	-	75,221
Restricted Equity in Treasurer's Cash Pool	36,449	-	-	-	36,449
Restricted Deposits and Investments	3,325	292,354	-	11	295,690
Investments Held on Behalf of Others	-	-	4,813,182	60,452	4,873,634
Other Assets	-	-	-	-	-
<b>Total Primary Government</b>	<b>\$ 615,984</b>	<b>\$ 304,336</b>	<b>\$ 4,824,389</b>	<b>\$ 69,974</b>	<b>\$ 5,814,683</b>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. In general, the State holds securities to maturity. All debt securities are reported at full-term.

The following table provides the segmented time distribution of the Primary Government's investments at June 30, 2010:

	Maturities in Years (Expressed in Thousands)					No Maturity	Fair Value
	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>11 - 20</u>	<u>More than 20</u>		
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$ 8,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,707
US Treasury Notes	-	-	-	-	-	-	-
Repurchase Agreements	6,728	-	-	-	-	-	6,728
Corporate Notes and Bonds	2,217	-	-	-	-	-	2,217
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	4,757	-	-	-	-	-	4,757
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	-	-	-	373,710	373,710
Unemployment Fund	-	-	-	-	-	-	-
Deposits with US Treasury	-	-	-	-	-	292,354	292,354
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	293	2,638	285	960	2,527	-	6,703
US Treasury Notes	2,046	14,148	5,066	9,858	-	466	31,584
Repurchase Agreements	186	-	-	-	-	-	186
Corporate Notes and Bonds	139	2,707	4,023	73	1,549	5,721	14,212
Other Fixed Income							
Securities	4,116	-	148	-	-	-	4,264
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	75	-	-	-	-	11,607	11,682
Money Market	-	-	-	-	-	1,100	1,100
Cash and Cash Equivalents	-	-	-	-	-	21,366	21,366
Equities	-	-	-	-	-	53,446	53,446
Other	-	-	-	-	-	2,021	2,021
	<u>\$ 29,264</u>	<u>\$ 19,493</u>	<u>\$ 9,522</u>	<u>\$ 10,891</u>	<u>\$ 4,076</u>	<u>\$ 761,791</u>	<u>\$ 835,037</u>
NextGen College Investing Plan							4,813,182
Other Assets							-
Cash with Fiscal Agent							166,464
Total Primary Government							<u>\$ 5,814,683</u>

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. To the extent possible in the Treasurer's Cash Pool, at least 30 percent of the portfolio shall be invested in U.S. Treasury, Federal Agency or Federal Instrumentality securities, or Repurchase Agreements. The State limits credit risk in its trusts by ensuring that at least 85 percent of the debt securities are rated A or better.



The Primary Government's total investments by credit quality rating as of June 30, 2010 are presented below:

Standard & Poor's Credit Rating (Expressed in Thousands)									
	<u>A1</u>	<u>A</u>	<u>AA</u>	<u>AA+</u>	<u>AAA</u>	<u>BB</u>	<u>BBB</u>	<u>Not Rated</u>	<u>Total</u>
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	\$ -	\$ -	\$ -	\$ -	\$ 8,707	\$ -	\$ -	\$ -	\$ 8,707
US Treasury Notes	-	-	-	-	-	-	-	-	-
Corporate Notes and Bonds	-	-	-	2,217	-	-	-	-	2,217
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	-	-	-	-	2,193	-	-	4,510	6,703
US Treasury Notes	-	-	-	-	3,842	-	-	27,742	31,584
Corporate Notes and Bonds	-	2,376	865	-	1,037	-	669	9,265	14,212
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
Other Fixed Income Securities	-	-	-	-	-	-	148	4,116	4,264
Total Primary Government	<u>\$ -</u>	<u>\$ 2,376</u>	<u>\$ 3,082</u>	<u>\$ -</u>	<u>\$ 15,779</u>	<u>\$ -</u>	<u>\$ 817</u>	<u>\$ 45,633</u>	<u>\$ 67,687</u>

**Concentration of Credit Risk** –Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 10 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2010, there were no investments that exceeded five percent of the Treasurer's Cash Pool.

**Custodial Credit Risk** - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's \$3.5 million invested in non-negotiable certificates of deposit, none exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2010 was \$53.1 million and was comprised of the following:

U.S. Instrumentalities	\$ 4,071
US Treasury Notes	1,809
Corporate Notes and Bonds	3,886
Other Fixed Income Securities	4,265
Equities	36,815
Cash and Equivalents	668
Other	1,592
Total	<u>\$ 53,106</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2010 these disbursements, on average, exceeded \$183.0 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

#### **MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Maine Public Employees Retirement System (the System) makes investments in a combination of equities, fixed income securities, infrastructure, private equity, real estate, mutual funds, commingled mutual and index funds, derivative financial instruments, and other investment securities established by the Trustee's investment policy.

*Derivative Securities* – Derivative financial instruments are financial contracts whose value depends on the value of one or more underlying assets, reference rates or financial indices. They include futures, forwards, options, and swap contracts. The System's investments in derivative securities only have nominal exposure to custodial credit risk. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment and approval of counterparties. Market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and are monitored by the Chief Investment Officer.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in CMOs and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2010 the carrying value of the System's CMO and Asset-Backed Security holdings totaled \$111.4 million. The System also invests in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities.

*Securities Lending* - The System has also entered into agreements for securities lending transactions, which are collateralized in an amount at least equal to 102 percent (105 percent for international securities) of the market value of the securities loaned. All securities and loans can be terminated on demand by either the lender or the borrower.

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2010 all of the collateral for securities lending is subject to custodial credit risk. The System believes that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40. The collateral held and the market value of securities on loan for the System as of June 30, 2010 was \$381.9 million and \$370.6 million, respectively.

The following table details the System's derivative investments at June 30, 2010:

(Expressed in Thousands)				
	2010 Changes in Fair Value	Fair Value at June 30, 2010		Notional
		Classification	Amount	
Investment derivatives:				
Interest rate swaps:				
Pay fixed	\$ (2,550)	OSIC*	\$ (3,311)	\$ 36,400
Credit default swaps:				
Buy protection	\$ (1,276)	Investments	\$ 2,593	\$ 78,327
Sell protection	501	OSIC*	(307)	\$ 5,400
	<u>\$ (775)</u>		<u>\$ 2,286</u>	
Foreign currency contracts:				
To sell:				
Canadian dollar	\$ 1,681	Investments	\$ 1,681	\$ 33,386
EURO	946	Investments	946	\$ 9,766
British Pound Sterling	(13)	OSIC*	(13)	\$ 931
	<u>\$ 2,614</u>		<u>\$ 2,614</u>	
Futures:				
Equity Index Futures Contracts	\$ (264)	OSIC*	\$ (264)	\$ 30,918

\*OSIC = Obligations to settle investment contracts

#### NEXTGEN COLLEGE INVESTING PLAN

The Maine College Savings Program Fund (the Fund) doing business as NextGen College Investing Plan (the Program), was established in accordance with Title 20-A MRSA §11473, to encourage the investment of funds to be used for Qualified Higher Education Expenses at institutions of higher education. The Program is designed to comply with the requirements for treatment as a Qualified State Tuition Program under Section 529 of the Internal Revenue Code.

The statute authorizes the Finance Authority of Maine ("FAME") to administer the Program and act as administrator of the Fund. The Fund is held by the Treasurer of the State who invests it under the direction of and with the advice of a seven member Advisory Committee on College Savings, which is chaired by the Treasurer. FAME and the Treasurer have selected Merrill Lynch as the Program Manager. The Program is reported as a private purpose trust fund in the financial statements of the State.

NextGen's investments are comprised of 43 different investment portfolios which are reported at fair value and total \$4.8 billion at June 30, 2010.

*Custodial Credit Risk* – NextGen, in accordance with its Program Description, primarily invests in open-end mutual funds, which, according to GASB Statement No. 40, do not bear custodial credit risk; hence, the Program's exposure to custodial credit risk arising from its investment in mutual funds is considered to be insignificant.

The Program makes some investments in entities which are not mutual funds including a Guaranteed Investment Contract (GIC) issued by Transamerica Life Insurance Company in the Principal Plus Portfolio. Because an investment in a GIC represents a contractual investment rather than a security, it is not deemed to be subject to custodial credit risk.

The Program also invests in the Cash Allocation Account (the Account), a separate account that was established by FAME. All of the Account investments are held in either the name of the Account or the Account Agent's name, thereby minimizing the custodial credit risk.

*Credit Risk* - The Program has not established an investment policy that specifically limits its exposure to credit risk. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account may bear credit risk. The GIC underlying the Program's investment in the Principal Plus Portfolio has not been rated by any of the nationally recognized statistical rating organizations. The fair value of the GIC at June 30, 2010 was \$225.6 million.

The assets of the Account are invested in a portfolio of high-quality, short-term money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, other short-term debt securities issued by U.S. and foreign entities, and repurchase agreements. In addition, the Account invests in certificates of deposit issued by Maine financial institutions in accordance with instructions of FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2010 was \$342.3 million.

*Concentration of Credit Risk* - The Program has not established an investment policy that specifically limits its exposure to concentration of credit risk because the Program principally invests in mutual funds which have been excluded by GASB Statement No. 40 from its concentration of disclosure risk requirements.

*Interest Rate Risk* - The Program has not established an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account all invest in securities that are subject to interest rate risk.

Market values of the above-mentioned investments are presented below (in thousands):

	<u>Fair Value</u>
Principal Plus Portfolio	\$ 225,582
Cash Allocation Account	342,307
Fixed Income Securities	<u>1,158,640</u>
Total Fair Value	<u><u>\$1,726,529</u></u>

#### COMPONENT UNITS

Generally, component unit investment policies authorize investments in obligations of U.S. Treasury and Agency Securities, repurchase agreements, corporate bonds, certificates of deposit and money market funds. Some component units may invest in stocks, bonds, fixed income securities, mutual funds, commingled mutual funds and index funds, guaranteed investment contracts, real estate and other investment securities.

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 20 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified \$93.6 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$8.0 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

**NOTE 6 - RECEIVABLES**

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectibles. The following tables disaggregate amounts considered to be uncollectible by fund and type of receivable as of the close of the fiscal year:

**Primary Government – Receivables**

(Expressed in Thousands)

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
<b>Governmental Funds:</b>					
General	\$520,230	\$97,785	\$1	(\$179,271)	\$438,745
Highway	28,754	1,761	44	(7,479)	23,080
Federal	-	82,423	-	(21,650)	60,773
Other Special Revenue	9,767	76,626	5,605	(7,440)	84,558
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	558,751	258,595	5,650	(215,840)	607,156
Allowance for Uncollectibles	(152,883)	(62,957)	-		
Net Receivables	<u>\$405,868</u>	<u>\$195,638</u>	<u>\$5,650</u>		<u>\$607,156</u>
<b>Proprietary Funds:</b>					
Employment Security	\$0	\$41,436	\$0	(\$11,094)	\$30,342
Nonmajor Enterprise	-	28,409	-	(1,018)	27,391
Internal Service	-	2,318	-	-	2,318
Total Proprietary Funds	-	72,163	-	(12,112)	60,051
Allowance for Uncollectibles	-	(12,112)	-		
Net Receivables	<u>\$0</u>	<u>\$ 60,051</u>	<u>\$ -</u>		<u>\$60,051</u>

**Component Units – Receivables**

(Expressed in Thousands)

	<u>Accounts</u>	<u>Loans</u>	<u>Notes</u>	<u>Allowance For Uncollectibles</u>	<u>Net Receivables</u>
Finance Authority of Maine	\$4,316	\$ -	\$201,808	(\$6,889)	\$199,235
Maine Community College System	5,081	-	-	(1,106)	3,975
Maine Health and Educational Facilities Authority	3,630	1,278,873	-	(618)	1,281,885
Maine Municipal Bond Bank	1,118	-	-	-	1,118
Maine State Housing Authority	16,383	1,350,913	794	(10,775)	1,357,315
University of Maine System	43,864	-	41,109	(6,473)	78,500

**NOTE 7 - INTERFUND TRANSACTIONS**

Interfund receivables and payables represent amounts owed to one State fund by another, for goods sold or services received, or for borrowings to eliminate negative balances in the Treasurer's Cash Pool.

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2010 were:

<b>Interfund Receivables</b> (Expressed in Thousands)					
<b>Due to Other Funds</b>					
<b>Due from Other Funds</b>	<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental</b>
General	\$ -	\$ -	\$ 1,316	\$ -	\$ -
Highway	1	1	1,864	-	-
Federal	64	23	330	72	-
Other Special Revenue	157,401	154	523	233	38
Other Governmental	-	-	-	-	-
Employment Security	-	-	117	-	-
Non-Major Enterprise	222	211	14	5	-
Internal Service	10,208	2,802	4,624	3,580	-
Fiduciary	35,592	-	-	-	-
<b>Total</b>	<b>\$ 203,488</b>	<b>\$ 3,191</b>	<b>\$ 8,788</b>	<b>\$ 3,890</b>	<b>\$ 38</b>

<b>Due from Other Funds</b>	<b>Employment Security</b>	<b>Non-Major Enterprise</b>	<b>Internal Service</b>	<b>Fiduciary</b>	<b>Total</b>
General	\$ 169	\$ 6,410	\$ 5,475	\$ -	\$ 13,370
Highway	-	-	203	-	2,069
Federal	-	-	183	-	672
Other Special Revenue	-	1,607	235	-	160,191
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	117
Non-Major Enterprise	-	-	49	-	501
Internal Service	-	206	963	12	22,395
Fiduciary	-	-	-	-	35,592
<b>Total</b>	<b>\$ 169</b>	<b>\$ 8,223</b>	<b>\$ 7,108</b>	<b>\$ 12</b>	<b>\$ 234,907</b>

Not included in the table above are interfund loans/advances, which are not expected to be repaid within one year. Postal, Printing & Supply (an internal service fund) owes \$111 thousand to the General Fund for operating capital.

The more significant balance included in Due to/Due from other funds is \$65 million due to the Other Special Revenue Fund related to the General Fund's negative cash position in the Treasurer's Cash Pool. This type of temporary loan is typical; cash is frequently borrowed and returned depending on cash flow needs.

Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the funds required to pay debt service as

principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

During fiscal year 2010, the State of Maine, in accordance with the legislatively authorized budget, recorded several non-routine, nonrecurring transfers.

The unappropriated surplus of the General Fund transferred \$29.7 million to the Medical Care Services Federal Expenditures Fund for the federal disallowance related to targeted case management services provided in 2002 and 2003.

The Other Special Revenue Fund transferred \$13.5 million to the unappropriated surplus of the General Fund.

The Retiree Health Insurance Fund transferred \$48.4 million to the unappropriated surplus of the General Fund, and transferred \$11.1 million to the unappropriated surplus of the Highway Fund.

Interfund transfers for the year ended June 30, 2010, consisted of the following:

**Interfund Transfers**  
(Expressed in Thousands)

<u>Transferred To</u>	<u>Transferred From</u>				
	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental</u>
General	\$ -	\$ -	\$ -	\$ 51,413	\$ -
Highway	1,642	-	14,222	533	-
Federal	29,812	-	-	16,653	-
Other Special Revenue	160,112	5,669	4,512	-	2,233
Other Governmental Funds	-	-	381	-	1,383
Employment Security	-	-	1,452	-	-
Non-Major Enterprise	3,360	4,576	-	176	-
Internal Service	10,842	-	1	10	-
Fiduciary	-	-	-	-	592
Total	<u>\$ 205,768</u>	<u>\$ 10,245</u>	<u>\$ 20,568</u>	<u>\$ 68,785</u>	<u>\$ 4,208</u>

<u>Transferred To</u>	<u>Transferred From</u>				
	<u>Employment Security</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
General	\$ -	\$ 52,229	\$ 3,052	\$ -	\$ 106,694
Highway	-	-	73	-	16,470
Federal	1,540	-	697	-	48,702
Other Special Revenue	-	4,840	383	1,340	179,089
Other Governmental Funds	-	-	-	-	1,764
Employment Security	-	-	-	-	1,452
Non-Major Enterprise	-	-	2,893	-	11,005
Internal Service	-	-	3,404	-	14,257
Fiduciary	-	-	6	-	598
Total	<u>\$ 1,540</u>	<u>\$ 57,069</u>	<u>\$ 10,508</u>	<u>\$ 1,340</u>	<u>\$ 380,031</u>

**NOTE 8 - CAPITAL ASSETS**

The following schedule details changes in capital assets for the governmental activities and business-type activities of the primary government for the fiscal year ended June 30, 2010:

**Primary Government – Capital Assets**

(Expressed in Thousands)

	<b><u>Beginning Balance</u></b>	<b><u>Increases and Other Additions</u></b>	<b><u>Decreases and Other Deletions</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 449,256	\$ 24,520	\$ 312	\$ 473,464
Construction in progress	57,350	39,269	5,645	90,974
Infrastructure	<u>3,378,914</u>	<u>221,332</u>	<u>-</u>	<u>3,600,246</u>
Total capital assets not being depreciated	<u>3,885,520</u>	<u>285,121</u>	<u>5,957</u>	<u>4,164,684</u>
Capital assets being depreciated:				
Buildings	576,236	13,367	228	589,375
Equipment	250,031	22,333	17,620	254,744
Improvements other than buildings	<u>18,818</u>	<u>787</u>	<u>29</u>	<u>19,576</u>
Total capital assets being depreciated	<u>845,085</u>	<u>36,487</u>	<u>17,877</u>	<u>863,695</u>
Less accumulated depreciation for:				
Buildings	213,848	15,052	143	228,757
Equipment	167,775	18,350	16,426	169,699
Improvements other than buildings	<u>10,681</u>	<u>1,128</u>	<u>29</u>	<u>11,780</u>
Total accumulated depreciation	<u>392,304</u>	<u>34,530</u>	<u>16,598</u>	<u>410,236</u>
Total capital assets being depreciated, net	<u>447,216</u>	<u>1,957</u>	<u>1,279</u>	<u>453,459</u>
Governmental Activities Capital Assets, net	<u>\$ 4,338,301</u>	<u>\$ 287,078</u>	<u>\$ 7,236</u>	<u>\$ 4,618,143</u>
	<b><u>Beginning Balance</u></b>	<b><u>Net Additions</u></b>	<b><u>Net Deletions</u></b>	<b><u>Ending Balance</u></b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 43,344	\$ -	\$ 268	\$ 43,076
Construction in progress	<u>3,416</u>	<u>5,373</u>	<u>-</u>	<u>8,789</u>
Total capital assets not being depreciated	<u>46,760</u>	<u>5,373</u>	<u>268</u>	<u>51,865</u>
Capital assets being depreciated:				
Buildings	9,655	-	1,190	8,465
Equipment	47,134	3,714	1,300	49,548
Improvements other than buildings	<u>74,572</u>	<u>-</u>	<u>-</u>	<u>74,572</u>
Total capital assets being depreciated	<u>131,361</u>	<u>3,714</u>	<u>2,490</u>	<u>132,585</u>
Less accumulated depreciation	<u>81,456</u>	<u>7,245</u>	<u>1,886</u>	<u>86,815</u>
Total capital assets being depreciated, net	<u>49,905</u>	<u>(3,531)</u>	<u>604</u>	<u>45,770</u>
Business-Type Activities Capital Assets, net	<u>\$ 96,665</u>	<u>\$ 1,842</u>	<u>\$ 872</u>	<u>\$ 97,635</u>



During the fiscal year, depreciation expense was charged to the following functions in the governmental activities column of the Statement of Activities for the primary government:

**Governmental Activities – Depreciation Expense**  
(Expressed in Thousands)

	<u><b>Amount</b></u>
<b>Governmental Activities:</b>	
Arts, Heritage and Cultural Enrichment	\$ 19
Business Licensing and Regulation	385
Economic Development and Workforce Training	1,185
Education	328
Governmental Support and Operations	5,826
Health and Human Services	5,027
Justice and Protection	10,534
Natural Resources Development and Protection	3,860
Transportation Safety and Development	7,206
Total Depreciation Expense – Governmental Activities	<u><u>\$ 34,370</u></u>

**NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**PLAN DESCRIPTIONS**

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit public employee retirement system established and administered under the Title 5 MRSA C. 421, 423, and 425. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes, or SETP) and employees of 293 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2010 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Maine Public Employees Retirement System management's interpretation of the State of Maine statutes is that all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any plan members or beneficiaries. The System is therefore regarded as administering an agent, multiple-employer plan for financial reporting purposes. The statements include \$2.0 billion of assets related to the PLD's. The Attorney General's Office does not concur that these assets are available for payment of State benefits.

The total funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs separate actuarial valuations for each participating entity's respective plan.

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2010, there were 46 employers participating in these plans. The 629 participants individually direct the \$10.4 million in assets covered by the plans.

The System also provides group life insurance under a plan administered by a third party insurance company and invests long-term assets for the Retiree Health Insurance Post-Employment Benefits Investment Trust Fund. Note 10 provides for further disclosure.

#### **BASIS OF ACCOUNTING**

The System's financial statements are prepared on the accrual basis of accounting. Pension contributions are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized when earned. Contributions to defined contribution plans are recognized in the period they are contributed. Pension benefits and contributions and premium refunds are recognized as deductions when due and payable in accordance with Statutes. Benefits payable incurred but not reported are reflected as other liabilities. Distributions from defined contribution plans are recognized in the period the disbursement is made.

#### **INVESTMENTS**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

#### **CONTRIBUTION INFORMATION**

Membership in each defined benefit plan consisted of the following at June 30, 2010:

	State Employees and Teachers Plan	Consolidated Plan for PLD
Active vested and nonvested members	40,113	10,369
Terminated vested participants	6,828	1,274
Retirees and benefit recipients	28,435	7,370
Total	75,376	19,013
Number of participating employers/sponsors	1	292

Contributions from members and employers and earnings from investments fund retirement benefits. Employer contributions and investment earnings fund disability and death benefits. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined by biennial actuarial valuations.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 6 percent.

**STATE EMPLOYEES AND TEACHERS PENSION PLAN SPECIFICS**

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the prior ten-year requirement was reduced to five years by legislative action). The monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

**PARTICIPATING LOCAL DISTRICTS PLAN SPECIFICS**

In the event that a PLD withdraws from the System, its individual employee-members can terminate membership or remain contributing members. The PLD remains liable for contributions sufficient to fund benefits for its already retired former employee-members; for its terminated vested members; and for those active employees, whether or not vested, who remain contributing System members.

**SPECIAL FUNDING SITUATION – TEACHERS DEFINED BENEFIT PENSION PLAN**

The State is legally responsible for contributions to the Teacher Group that covers retirees of other governmental entities. The State is the sole "employer" contributor for the teachers; therefore, is acting as the employer.

**FUNDED STATUS AND FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS**

The funded status of each plan as of June 30, 2010, the most recent biennial actuarial valuation date, is as follows:

Plans	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
SETP	8,369,772,080	12,676,367,068	4,306,594,988	66.0%	1,681,593,315	256.1%
PLD's	2,045,337,000	2,122,833,460	77,496,460	96.3%	397,506,572	19.5%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation date follows:

	SETP	PLD's
Valuation date	June 30, 2010	June 30, 2010
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent closed	Level percent open
Remaining amortization period	18	14
Asset valuation method	3-Year smoothed market	3-Year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75%	7.75%
Projected salary increases	4.75% - 10.00%	4.50% - 10.50%
Includes inflation at	4.50%	4.50%
Cost of living adjustments	3.75%	3.75%
Most recent review of plan experience:	2006	2008
Plan changes from last valuation	none	none

<sup>1</sup> The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature

relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2010 was determined by the 2008 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 7 years remained at June 30, 2010.

### CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, based upon certain assumptions, are expressed as percentages of annual covered payroll and are sufficient to accumulate adequate assets to pay benefits when due.

In order to reduce any unfunded pension liability for State employees and teachers under Title 5 MRSA § 1536, the State is required to remit 20 percent of its General Fund unappropriated surplus to the System at year-end. For fiscal 2010, the amount due was \$11.2 million.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the pension obligation.

The actuarially determined contribution rates in effect for 2010 for participating entities:

<u>State</u>		
Employees	1	7.65 - 8.65%
Employer	1	14.35 - 53.32%
<u>Teachers</u>		
Employees		7.65%
Employer		17.28%
<u>Participating Local Entities</u>		
Employees	1	3.0 - 8%
Employer	1	1.5 - 6.5%

<sup>1</sup> Contribution rates vary depending on specific terms of plan benefits for certain classes of employees and/or, in the case of participating local districts (PLDs), on benefit plan options selected by a particular participating local entity. Withdrawn entities' contributions are set in dollar amounts, not as rates.

### ANNUAL PENSION COST AND NET PENSION OBLIGATION

The State is one of several employers whose employees are System members. The State's net pension obligation shown at the end of the year includes the pension liability related to its employees. It does not include the pension liability related to PLD's. The State's annual pension cost and net pension obligation to the System for the current year were:

#### Net Pension Obligation

(Expressed in Thousands)

Annual required contribution	\$ 317,992
Interest on net pension obligation	1,463
Adjustment to annual required contribution	(1,284)
Annual pension cost	318,171
Contributions made	329,207
Increase (decrease) in net pension obligation	(11,036)
Net pension obligation beginning of year	18,881
Net pension obligation end of year	<u>\$ 7,845</u>

**Analysis of Funding Progress**  
(Expressed in Thousands)

<u>Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Covered</u>	<u>Net Pension Obligation</u>
2010	329,207	100.00%	7,845
2009	320,285	100.00%	18,881
2008	305,625	99.91%	18,708

Employer contributions met actuarially determined contribution requirements.

**COMPONENT UNIT PARTICIPANTS**

The Maine Municipal Bond Bank, Maine Maritime Academy, and the Maine Public Employees Retirement System have defined benefit pension plans. All are participating local entity participants in plans administered by the Maine Public Employees Retirement System. For financial reporting purposes, employees of the Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority are combined with State employees for retirement benefit purposes and are included in the pension disclosures of the State.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS****POST RETIREMENT HEALTHCARE PLANS**

The State sponsors and contributes to two defined benefit healthcare plans: a sole employer plan for its employees, and county and municipal law enforcement officers and firefighters (First Responders). Each plan provides medical benefits to eligible retired employees and beneficiaries. Statute prescribes what portion of health insurance costs are funded by the State. The State also agreed to fund a set percentage of retiree healthcare costs for teachers. Statute prescribes what portion of health insurance costs are funded by the State.

The State of Maine funds post retirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285, and for a portion of the premiums for teachers, as authorized by Title 20-A MRSA § 13451. Pursuant to Title 5 MRSA § 285 most retired employees of the Maine Turnpike Authority, Maine Community College System, Maine Maritime Academy, Maine Public Employees Retirement System, and Maine Educational Center for the Deaf and Hard of Hearing are eligible to participate in the health plan but are not funded by the State. Specifically excluded (Title 5 MRSA § 285 1-B) are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities, except as provided in subsection 11-A. Title 5 MRSA § 286-M included retired county or municipal law enforcement officers and municipal firefighters, as defined in subsection 286-M, who participate in an employer-sponsored retirement plan and, prior to July 1, 2007 were enrolled in a self-insured health benefits plan offered by the employing county or municipality.

The State pays 100 percent of post retirement health insurance premiums for state employee retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Per Title 5 MRSA § 285 paragraphs 2 and 3, coverage depends upon terms and conditions contained in collective bargaining agreements with the State Health Commission. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees ineligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

Effective January 1, 2006, the State contribution to retired teacher health premiums was increased to 45 percent of the retiree-only premium. The rate is based on a single rate for single and employee plus children coverage, or 50 percent of the two party rate for two party and family coverage.

For State employees and Teachers, other options exist. Part-time employees are eligible for prorated benefits with retirees who worked 50 percent or more of full-time hours receiving 100 percent of the benefit. Surviving spouses and dependents may continue in the plan and pay 100 percent of the premium. Retirees ineligible for a State contribution are allowed to participate and pay the retiree premium.

County and municipal law enforcement officers and municipal firefighters began coverage in Fiscal Year 2008 with the State contributing 45 percent of the retiree-only premium of their respective plans. The State's premium subsidy is based on the Title 5 MRSA § 285 paragraph 11-A C cost of the retiree's share of the individual premium for the standard plan identified and offered under the group health insurance plan in which the retiree enrolls. The State subsidy ends after the retiree is eligible for Medicare. First Responders are eligible if they retire after age 50 with 25 or more years of service and receive a retirement benefit from either the MPERS or a defined contribution plan. If retirees have fewer than 25 years of service, the normal retirement benefit must be at least 50 percent of final average compensation. Retirees must also participate in their employer's health insurance plan or other fully insured health plan for at least 5 years. Retirees can elect to participate in the plan at their retirement date. If participation is waived at that time, the retiree is ineligible to participate at a later date.

The State also administers a fourth defined benefit healthcare plan, (Ancillary Group Plan), which covers two non-major discretely presented component units. A major component unit had been included in this plan for fiscal 2009. They currently administer their own healthcare plan. Under the Ancillary Group Plan, the State acts as the plan administrator only.

Beginning in the fiscal year ending June 30, 2008, each participating employer is required by GASB Statement 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions*, to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

#### PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

	State Employees	Teachers	First Responders	Ancillary Groups
Actives	12,720	27,159	912	67
Retirees	8,920	9,381	69	11
Total	<u>21,640</u>	<u>36,540</u>	<u>981</u>	<u>78</u>
Number of employers	1			2
Contributing entities		1	1	2

#### STATE EMPLOYEES PLAN FUNDING POLICY

Title 5 MRSA § 286-B authorizes an Irrevocable Trust Fund for Other Post-employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust fund. Annually, beginning with the fiscal year starting July 1, 2007, the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2007.

Public Law 2007, Chapter 240, amended Title 5 Chapter 421 by establishing the Irrevocable Trust for Other Post-employment Benefits. MPERS holds and invests long-term funds in the irrevocable trust fund. Its fiduciary responsibilities include setting investment policy in order to fund the plan in accordance with a projected disbursement schedule that does not begin before the year 2027.

#### TEACHERS PLAN AND FIRST RESPONDERS PLAN FUNDING

A special funding situation exists for these plans. The State is statutorily responsible for contributions to the Teachers Plan and the First Responders Plan that cover the retirees of other governmental entities. The State is the sole contributing entity for Teachers and the primary contributing entity for the First Responders, therefore, making the contribution on behalf of the employing jurisdictions at a 45 percent level for the current portion of the health plan costs and are not included in the Trust.

No implied subsidy is calculated for either plan. The State does not pay for any of the costs of active employees. The State limited its contribution to 45 percent of the retiree-only premium.

#### ANCILLARY GROUP PLAN

The following plan, administered by the State, is financially independent and is not included in the State Retiree Health Internal Service Fund. This multiple-employer agent postemployment benefit plan covers 11 retirees of two non-major component units: Maine Educational Center for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

#### ANNUAL OPEB COST

Contribution requirements are set forth in statute. The annual other post-employment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual OPEB cost for the current year and the related information for each plan are as follows:

(Expressed in Thousands)

	<b>State Employees</b>	<b>Teachers</b>	<b>First Responders</b>
Annual required contribution	\$ 90,000	\$ 58,000	\$ 1,105
Interest on net OPEB obligation (asset)	(1,000)	3,000	86
Adjustment to annual required contribution	3,000	(5,000)	(140)
Annual OPEB cost	\$ 92,000	\$ 56,000	\$ 1,051
Contributions made	55,000	19,000	368
Increase (decrease) in net healthcare obligation	37,000	37,000	683
Net healthcare obligation (asset) beginning of year	(28,772)	69,956	1,833
Net healthcare obligation end of year	<u>\$ 8,228</u>	<u>\$ 106,956</u>	<u>\$ 2,516</u>

The annual OPEB cost for the current year, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (asset) obligation for each plan are as follows:

**Analysis of Funding Progress**

(Expressed in Thousands)

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>	<u>Net OPEB Obligation</u>
State Employees	6/30/2010	92,000	59.78%		8,228
	6/30/2009	77,000	65.43%	28,772	
	6/30/2008	111,000	149.90%	55,388	
Teachers	6/30/2010	56,000	33.93%		106,956
	6/30/2009	60,000	30.65%		69,956
	6/30/2008	46,000	38.38%		28,343
First Responders	6/30/2010	1,051	35.01%		2,516
	6/30/2009	1,045	24.69%		1,833
	6/30/2008	1,045	0.00%		1,045

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plans as of June 30, 2010 was as follows:

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)	
Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
State Employees (in millions)	June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
	June 30, 2009	82	1,311	1,229	6.25%	595	206.55%
	June 30, 2008	98	1,242	1,144	7.89%	568	201.41%
Teachers (in millions)	June 30, 2010	0	1,005	1,005	0.00%	1,064	94.45%
	June 30, 2009	0	994	994	0.00%	1,215	85.93%
	June 30, 2008	0	1,044	1,044	0.00%	1,160	85.69%
First Responders (in thousands)	(biennial)						
	June 30, 2009	0	20,063	20,063	0.00%	51,876	38.67%
	June 30, 2008	0	19,806	19,806	0.00%	51,021	38.82%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



## ACTUARIAL METHODS AND ASSUMPTIONS

Projection of benefits are based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date and the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	State Employees	Teachers	First Responders
Valuation date	March 31, 2010	March 31, 2010	June 30, 2009
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period - UAAL	28	28	28
Plan changes	30-year fixed	30-year fixed	20-year fixed
Actuarial (gains) /losses	10-year fixed	15-year fixed	rolling 15 year period
Asset valuation method	market	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.80% 7.50% ultimate	4.50%	4.50%
Projected salary increases	3.25%	3.25%	3.75%
Inflation rate	3.00%	3.00%	3.75%
Healthcare inflation rate	initial - actual premiums ultimate 4.5%	initial - actual premiums ultimate 4.5%	initial 8% ultimate 4.5%

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State's fiduciary financial statements are prepared on the accrual basis of accounting. Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense. Investment income is recognized when earned.

## CONTRIBUTIONS AND RESERVES

The State Employees Health Insurance Committee establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan are periodically computed using statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants.

## INVESTMENTS

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

**POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN**

The Maine Public Employees Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit Group Life Insurance Plan (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers and for whom the State acts like the employer for retirement contribution and benefit purposes), members of the Judiciary and the Legislature, that are eligible for membership in the System. Group life insurance benefits are also provided to employees of 390 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2010 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Plan provides Basic group life insurance benefits, during retirement, to retirees who participated in the group life insurance plan prior to retirement for a minimum of 10 years. The 10 year participation requirement does not apply to recipients of disability retirement benefits. The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of Basic group life insurance benefit is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Group life insurance funds managed by the System are constitutionally restricted and held in trust for the payment of benefits to participants or their beneficiaries. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs a single actuarial valuation that provides separate data for each participating entity.

**BASIS OF ACCOUNTING**

The System's financial statements are prepared on the accrual basis of accounting. Premiums paid, by or on behalf of those covered, are set and collected by the System. The insurance company makes benefit payments. The System remits payments to the insurance company for premiums collected plus additional payments representing administrative fees.

Group life insurance premiums are recognized as additions in the period when they become due. Investment income is recognized when earned. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Group life insurance benefits and premium refunds are recognized as deductions when due and payable in accordance with Statutes. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. Group life insurance death benefits incurred but not reported are reflected as other liabilities.

**INVESTMENTS**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

**FUNDING POLICY**

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs. For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is \$.56 per month for every \$1,000 of coverage. Premiums for retiree life

insurance coverage for retired teachers are paid by the State based on a rate of \$.33 per \$1,000 of coverage per month during the post-employment retirement period.

#### ANNUAL OPEB COST

The State's OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

#### Analysis of Funding Progress

(Expressed in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Net OPEB Asset</u>	<u>Net OPEB Obligation</u>	<u>Percentage of OPEB Cost Contributed</u>
June 30, 2010	\$ 6,800	\$ 6,361	\$ 761		93.54%
June 30, 2009	5,700	12,377	1,200		217.14%
June 30, 2008	5,500	23		\$ 5,477	0.42%

#### FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2010 was as follows:

(Expressed in Thousands)

(Expressed in thousands)							
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c	
			Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
Plan	Actuarial Valuation Date	Actuarial Value of Assets					
State Employees	June 30, 2010	19,700	71,500	51,800	27.55%	615,600	8.41%
	June 30, 2009	17,500	67,900	50,400	25.77%	601,099	8.38%
	June 30, 2008	21,100	64,900	43,800	32.51%	601,100	7.29%
Teachers	June 30, 2010	21,400	60,400	39,000	35.43%	650,600	5.99%
	June 30, 2009	17,700	54,700	37,000	32.36%	591,100	6.26%
	June 30, 2008	19,900	52,100	32,200	38.20%	591,100	5.45%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### ACTUARIAL METHODS AND ASSUMPTIONS

Projection of benefits are based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date and the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75% - 10.00%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

## NOTE 11 - LONG-TERM OBLIGATIONS

### PRIMARY GOVERNMENT

The State records its liability for general obligation bonds in the Governmental Activities column on the Statement of Net Assets. Other long-term obligations recognized by the State include: revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit; obligations under Certificates of Participation and other financing arrangements; loans payable to component unit for repayment of bonds issued by the Maine Municipal Bond Bank on behalf of the Maine Department of Transportation; compensated employee absences; and the State's net pension obligation; other post-employment benefits; and obligations for pollution remediation.

### GENERAL OBLIGATION BONDS

Programs for which the State issues general obligation bonds include: adaptive equipment loan programs; environmental cleanup and protection; highway and transportation related projects; agricultural and small business job creation; and acquisition, construction, and renovation of major capital facilities including State parks and historic sites. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues and are repaid in annual installments beginning not more than one year after issuance.

Changes in general obligation bonds of the primary government during fiscal year 2010 were:

#### Primary Government - Changes in General Obligation Bonds

(Expressed in Thousands)

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2010</b>	<b>Due Within One Year</b>
General Obligation Debt:					
General Fund	\$ 408,925	\$ 31,755	\$ 74,905	\$ 365,775	\$ 72,905
Special Revenue Fund	121,065	25,080	11,820	134,325	15,100
Total	<u>\$ 529,990</u>	<u>\$ 56,835</u>	<u>\$ 86,725</u>	<u>\$ 500,100</u>	<u>\$ 88,005</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2010 until maturity, are summarized in the following table:

**Future Debt Service on General Obligation Bonds**

(Expressed in Thousands)

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	\$ 88,005	\$ 18,921	\$ 106,926
2012	82,010	15,931	97,941
2013	80,275	12,915	93,190
2014	63,315	9,913	73,228
2015	56,070	7,495	63,565
2016 - 2020	130,425	12,810	143,235
Total	<u>\$ 500,100</u>	<u>\$ 77,985</u>	<u>\$ 578,085</u>

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2010 are as follows:

**Primary Government – General Obligation Bonds Outstanding**

(Expressed in Thousands)

	<b><u>Amounts Issued</u></b>	<b><u>Outstanding June 30, 2010</u></b>	<b><u>Fiscal Year Maturities</u></b>		<b><u>Interest Rates</u></b>
			<b><u>First Year</u></b>	<b><u>Last Year</u></b>	
General Fund:					
Series 2001	22,050	2,105	2002	2011	4.00% - 6.08%
Series 2002	27,610	5,520	2003	2012	3.00% - 5.75%
Series 2003	97,080	29,115	2003	2013	1.50% - 5.00%
Series 2004	117,275	45,640	2005	2014	2.00% - 5.27%
Series 2005	137,525	76,535	2006	2015	2.00% - 5.27%
Series 2006	52,390	31,425	2007	2016	4.00% - 5.51%
Series 2007	33,975	23,765	2008	2017	4.00% - 5.50%
Series 2008	46,525	37,215	2009	2018	3.00% - 5.13%
Series 2009	96,035	82,700	2011	2019	2.50% - 5.00%
Series 2010	31,755	31,755	2011	2020	1.41% - 4.00%
Total General Fund		<u>\$ 365,775</u>			
Special Revenue Fund:					
Series 2001	19,225	1,920	2002	2011	4.00% - 5.00%
Series 2004	13,000	5,075	2005	2014	2.00% - 4.00%
Series 2007	27,000	18,900	2008	2017	4.00% - 5.50%
Series 2008	57,550	46,040	2009	2018	3.00% - 5.13%
Series 2009	37,310	37,310	2011	2019	2.50% - 5.00%
Series 2010	25,080	25,080	2011	2020	1.41% - 4.00%
Total Special Revenue		<u>\$ 134,325</u>			

**AUTHORIZED UNISSUED BONDS**

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2010, general obligations bonds authorized and unissued totaled \$95.8 million.

**REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY**

The State included \$189.1 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$325.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2010, MGFA issued Series 2009A Bonds, which totaled \$12.0 million at an interest rate between 3.25 percent and 5 percent, and issued Series 2010A Refunding Bonds, which totaled \$25.6 million at an interest rate between 2.5 percent and 5 percent. The 2010A Refunding Bonds were used to in-substance defease \$24.3 million in certain maturities of outstanding 1999, 2000A, 2000B, 2001 and 2002 bonds with an average interest rate of 5.75 percent. Net proceeds totaled \$25.8 million, including bond premiums of \$600 thousand, and after \$378 thousand in issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the defeased bonds.

Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of \$222 thousand, the Authority in effect reduced in aggregate debt service payments by approximately \$1.0 million over the next twelve years and obtained an economic gain of \$1.0 million. At June 30, 2010, there were approximately \$51.0 million of MGFA in-substance defeased bonds outstanding.

**CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

The State uses financing companies, Certificates of Participation (COP's), and lease/purchase agreements to finance construction of certain State buildings, to purchase or generate software, and to purchase equipment and vehicles, including school buses. COP's are issued through a trustee, and the State is responsible for payments to the trustee that approximate the interest and principal payments made to the certificate holders. The State and school districts maintain custody and use of the assets; however, the trustee holds a lien as security until such time as the certificates are fully paid.

Neither COP's nor the other financing arrangements constitute a legal debt, liability, or contractual obligation in excess of amounts appropriated. The State's obligation to make minimum payments or any other obligation under agreements is subject to, and dependent upon, appropriations being made by the Legislature. The Legislature has no obligation to appropriate the money for future minimum payments or other obligations under any agreement.

**SHORT TERM OBLIGATIONS**

The State of Maine issued and retired \$41.2 million in Bond Anticipation Notes during fiscal year 2010. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2010 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

**OTHER LONG-TERM OBLIGATIONS**

In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until amounts owed are "due and payable." Fund liabilities are recorded in the proprietary funds when obligations are incurred. In the Statement of Net Assets, the State has recorded long-term obligations for its compensated employee absences, net pension obligation, other post-employment benefit obligations, and pollution remediation.

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2010, are summarized as follows:

**Primary Government - Changes in Other Long-Term Obligations**

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
MGFA Revenue Bonds	\$ 192,935	\$ 37,560	\$ 41,415	\$ 189,080	\$ 16,930
COP's and Other Financing	50,079	57,989	31,777	76,291	25,738
Compensated Absences	45,366	5,931	5,509	45,788	4,480
Claims Payable	58,611	187,573	187,896	58,288	23,688
Capital Leases	37,634	328	4,633	33,329	5,830
Loans Payable to Component Unit	131,769	142,857	16,232	258,394	17,975
Net Pension Obligation	18,881	318,171	329,207	7,845	-
Other Post-Employment Benefit Obligation	71,789	56,051	10,140	117,700	-
Pollution Remediation	64,876	1,106	15,954	50,028	-
Total Governmental Activities	<u>\$ 671,940</u>	<u>\$ 807,566</u>	<u>\$ 642,763</u>	<u>\$ 836,743</u>	<u>\$ 94,641</u>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 880	\$ 117	\$ 189	\$ 808	\$ 189
Total Business-Type Activities	<u>\$ 880</u>	<u>\$ 117</u>	<u>\$ 189</u>	<u>\$ 808</u>	<u>\$ 189</u>

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2010 until maturity, are summarized as follows:

**Future Debt Service on MGFA Revenue Bonds, COP's and Other Financing Arrangements**

(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Governmental Funds</u>			<u>Internal Service Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 14,759	\$ 254	\$ 15,013	\$ 27,909	\$ 8,913	\$ 36,822
2012	12,994	112	13,106	27,865	7,898	35,763
2013	10,168	37	10,205	27,311	6,903	34,214
2014	126	25	151	22,830	5,886	28,716
2015	132	19	151	17,277	5,049	22,326
2016 - 2020	282	19	301	74,080	14,688	88,768
2021 - 2025	-	-	-	18,695	4,389	23,084
2026 - 2030	-	-	-	10,945	1,088	12,033
Total	<u>\$ 38,461</u>	<u>\$ 466</u>	<u>\$ 38,927</u>	<u>\$ 226,912</u>	<u>\$ 54,814</u>	<u>\$ 281,726</u>

**CONDUIT DEBT OBLIGATIONS**

Under a General Bond Resolution adopted on June 5, 1973, Maine Health and Higher Educational Facilities Authority (MHHEFA) issues tax exempt bonds to assist in financing health care institutions and institutions for higher education. Loans to institutions made with proceeds of general resolution bonds are written for the entire amount of the bonds, including debt service reserve funds. Security for these bonds is limited to debt service reserve funds of and the loans to the specific institution for which the bond was issued. Therefore, these bonds are considered conduit debt.

**LOANS PAYABLE TO COMPONENT UNIT**

The State of Maine has pledged various revenue streams, as security for Grant Anticipation Bonds (GARVEE) and Transportation Infrastructure Revenue Bonds (TransCap) issued by the Maine Municipal Bond Bank (MMBB) on behalf of the Maine Department of Transportation to provide financing for qualified transportation projects.

Changes in GARVEE and TransCap revenue bonds during fiscal year 2010 were:

**Primary Government - Changes in GARVEE and TransCap Revenue Bonds**  
(Expressed in Thousands)

	<b><u>Balance</u></b> <b><u>July 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2010</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Loans Payable to Component Unit:					
Federal Funds	\$ 84,203	\$ -	\$ 7,625	\$ 76,578	\$ 7,950
Special Revenue Fund	47,566	142,857	8,607	181,816	10,025
<b>Total</b>	<b>\$ 131,769</b>	<b>\$ 142,857</b>	<b>\$ 16,232</b>	<b>\$ 258,394</b>	<b>\$ 17,975</b>

Payment of principal and interest on the GARVEE bonds shall be subject to appropriation each year by the Legislature in an amount sufficient to cover the principal and interest requirements of MMBB's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations. MMBB insured payments of principal and interest with a financial guaranty insurance policy. The bonds do not constitute a debt or obligation of the State.

Principal and interest on TransCap bonds are payable solely from pledged revenues, pledged rights, and pledged TransCap funds and accounts. Pledged revenues include certain motor vehicle registration and other fees, a portion of excise tax on gasoline and other special fuel, and certain amounts required to be transferred from the Highway Fund. All pledged revenues are required to be transferred to the TransCap Fund. The bonds do not constitute a debt or liability of the State.

GARVEE and TransCap Revenue bonds issued and outstanding at June 30, 2010 are as follows:

**GARVEE and TransCap Revenue Bonds Outstanding**  
(Expressed in Thousands)

	<b><u>Amounts</u></b> <b><u>Issued</u></b>	<b><u>Outstanding</u></b> <b><u>June 30, 2010</u></b>	<b><u>Fiscal Year</u></b> <b><u>Maturities</u></b>		<b><u>Interest</u></b> <b><u>Rates</u></b>
Federal Funds:			<b><u>First</u></b> <b><u>Year</u></b>	<b><u>Last</u></b> <b><u>Year</u></b>	
Series 2004	49,423	28,915	2005	2015	2.50% - 5.00%
Series 2008	50,000	46,635	2010	2021	3.25% - 4.00%
<b>Total Federal Funds</b>		<b>\$ 75,550</b>			
Special Revenue Fund:					
Series 2008	50,000	45,601	2010	2024	3.00% - 5.50%
Series 2009A	111,388	105,823	2011	2024	2.50% - 5.00%
Series 2009B	31,469	30,391	2011	2025	2.00% - 5.00%
<b>Total Special Revenue</b>		<b>\$ 181,815</b>			



Total principal and interest requirements over the life of the 2004 GARVEE bonds are \$60.2 million, with annual requirements of up to \$5.6 million; for the 2008 GARVEE bonds total principal and interest requirements are \$63.1 million, with annual requirements of up to \$5.3 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the 2004 GARVEE bonds totaled \$175 million. Total federal highway transportation funds received in federal fiscal year 2010 were \$150.9 million. Current year payments to MMBB for GARVEE bonds were \$10.6 million (7.1 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue Bond are \$71.9 million, with annual requirements up to \$4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue Bonds are \$144.3 million, with annual requirements up to \$10.1 million; for the 2009B TransCap Revenue Bonds total principal and interest requirements are \$46.2 million, with annual requirements up to \$16.9 million. Total revenue received for revenue sources used as pledged revenues were \$38.1 million in fiscal year 2010.

#### **OBLIGATIONS UNDER CAPITAL LEASES**

The State leases various assets under noncancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

Most leases have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Because the accounting treatment for installment purchase agreements is similar, such agreements are reported with capital leases.

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below.

At June 30, 2010 capital assets include \$72.3 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of \$43.1 million.

#### **OBLIGATIONS UNDER OPERATING LEASES**

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled \$2.1 million during the year.

A summary of the operating and noncancelable capital lease commitments to maturity follows:

**Future Minimum Lease Payments**  
**Capital and Operating Leases**  
(Expressed in Thousands)

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Operating Leases</b>
2011	\$ 5,830	\$ 4,103
2012	5,564	3,847
2013	4,524	3,287
2014	3,960	2,987
2016	3,566	2,624
2016 - 2020	12,321	6,879
2021 - 2025	3,728	3,375
2026 - 2030	623	65
2031 - 2035	-	22
2036 - 2040	-	24
2041- 2045	-	26
2046 - 2050	-	24
Total Minimum Payments	40,116	\$ 27,263
Less: Amount Representing Interest	7,047	
Present Value of Future Minimum Payments	\$ 33,069	

**MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS**

MGFA revenue bonds will be liquidated by the MGFA Internal Service Fund, from revenues received through lease agreements with various governmental funds. The liability for loans payable to component unit will be liquidated from the Federal Fund and Highway Fund. The vast majority of COP's and other financing arrangements will be liquidated by the internal service fund in which the leases are recorded; the General and Highway Funds will pay relatively small amounts.

**CLAIMS PAYABLE**

Claims payable that represent Medicaid claims will be paid from the General Fund and Federal Fund. Claims payable that represent workers' compensation and retiree/employee health will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. Other claims and judgments attributable to governmental activities will be liquidated by the General Fund and related special revenue funds.

**COMPENSATED ABSENCES**

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2010 but paid after the fiscal year end is also reported in the funds.

**COMPONENT UNITS**

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State. The following table summarizes bonds outstanding for selected material balances of discretely presented component units, as reported in their separately issued financial statements, utilizing their respective fiscal year-ends:

**Component Unit Bonds Outstanding**

(Expressed in Thousands)

<u>Component Unit</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
Finance Authority of Maine	0.5 - 1.0%	173,004	2010 – 2037
Maine Community College System	3.0 - 5.0%	24,734	2010 - 2036
Maine Health and Higher Educational Facilities Authority			
debt	2.0 - 6.2%	1,406,290	2010 - 2040
conduit debt	4.5- 7.3%	148,720	2010 - 2039
Maine Municipal Bond Bank	1.1 - 5.9%	1,398,326	2010 – 2039
Maine State Housing Authority	0.0 - 6.4%	1,509,711	2010 – 2042
University of Maine System	4.3 - 5.75%	202,206	2010 – 2037

MHHEFA advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. On April 22, 2010 MHHEFA issued \$97.2 million in 2010A reserve fund resolution revenue bonds with an average interest rate of 4.84 percent, \$41.1 million was used to in-substance defease \$44.2 million of outstanding bonds. On June 24, 2010 MHHEFA issued \$108.0 million in 2010B and C reserve fund resolution revenue bonds with an average interest rate of 4.36 percent, all of which was used to in-substance defease \$118.4 million of certain outstanding bond issuances. At June 30, 2010, there were approximately \$247.6 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunded issues within the reserve fund resolution. At June 30, 2010, there were approximately \$13.5 million of defeased bonds outstanding with respect to advance refunded bond issues of the general resolution. The general resolution bonds are considered conduit debt.

UMS advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future debt service payment on the debt. At June 30, 2010, \$21.3 million of in-substance defeased bonds remained outstanding.

In periods of declining interest rates, MMBB has refunded its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. On August 27, 2009 MMBB issued \$23.8 million of Series E and F general tax-exempt bonds with an average interest rate of 3.0 percent to in-substance defease \$24.1 million of various outstanding bonds. At June 30, 2010 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately \$88 million. On November 3, 2009 MMBB issued \$19.6 million of Series A, B and C refunding sewer and water bonds with an average interest rate of 3.3 percent to in-substance defease \$21.6 million of various outstanding bonds. At June 30, 2010 there are no balances remaining of sewer and water fund group in-substance defeased bonds as all were called and repaid from refunding escrows prior to June 30, 2010.

For the period ended December 31, 2009, MSHA redeemed \$185.6 million of its Mortgage Purchase Fund group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$466 thousand were attributable to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

The following table summarizes debt service requirements for outstanding bonds of the discretely presented component units:

**Component Units Principal Maturities**  
(Expressed in Thousands)

<u>Fiscal Year Ending</u>	<u>FAME</u>	<u>MMBB</u>	<u>MCCS</u>	<u>MSHA</u>	<u>UMS</u>	<u>MHHEFA</u>
2011	\$ 805	\$ 121,495	\$ 52	\$ 34,945	\$ 8,526	\$ 43,020
2012	55	114,978	54	41,035	39,425	55,515
2013	56	110,376	601	41,690	7,616	60,185
2014	57	104,009	622	43,555	7,962	60,630
2015	57	100,890	649	46,615	9,990	62,005
2016 - 2020	295	420,115	3,637	255,240	35,009	294,695
2021 - 2025	298	293,735	4,529	296,695	33,226	285,375
2026 - 2030	-	106,150	5,681	298,700	33,280	251,775
2031 - 2035	101,550	8,645	6,720	251,300	23,865	185,455
2036 - 2040	70,400	1,055	1,467	185,155	1,076	104,160
2041 - 2045	-	10	-	29,440	-	3,475
Net unamortized premium or (deferred amount)	(569)	16,867	722	(14,659)	2,231	-
Total Principal Payments	<u>\$ 173,004</u>	<u>\$ 1,398,325</u>	<u>\$ 24,734</u>	<u>\$ 1,509,711</u>	<u>\$ 202,206</u>	<u>\$ 1,406,290</u>

## NOTE 12 - SELF-INSURANCE

### A. RISK MANAGEMENT

The State maintains several types of insurance plans and accounts for them in two funds that are combined for financial statement purposes as the Risk Management Fund. The Risk Management Division provides insurance advice and services to State governmental agencies. The State-Administered Fund offers similar services to quasi-governmental entities. Statute requires the Self-Insurance Fund to be replenished by appropriation if the fund balance drops below \$1 million. The State-Administered Fund balance has no similar provision; however, statutes prevent it from being used for any purpose other than providing insurance services.

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professionals, and a variety of other insurance products. All departments have elected to insure through the Risk Management Division. The Department of Transportation elected to purchase general liability insurance as of April 1, 2007; in prior fiscal years the Department of Transportation had elected not to purchase general liability insurance through the Risk Management Division.

In some cases the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is \$400 million per occurrence. The State retains \$2 million of this risk per occurrence. A private insurance carrier covers the remaining risk (excess insurance). Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Coverage, risk retention, and excess insurance amounts for major types of insurance are listed below:

<u>Type of Insurance</u>	<u>Coverage Per Occurrence</u>	<u>Risk Retention Per Occurrence</u>	<u>Excess Insurance Per Occurrence</u>
Property *	\$400 million	\$ 2 million	\$400 million
Ocean Marine Boat Liability * <sup>1</sup>	10 million	10 thousand	10 million
Boiler and Machinery*	150 million	2 million	150 million
General Liability Including			
Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none
Vehicular Liability <sup>2</sup>	400 thousand	400 thousand	600 thousand
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	500 thousand	500 thousand	none

\* These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.

<sup>1</sup> \$10 million is the maximum limit for per occurrence coverage. Some agencies have chosen \$400 thousand.

<sup>2</sup> Excess insurance is only for out of state travel.

The plan funds the cost of providing claims servicing and claims payment by charging a premium to each agency based on a review of past losses and estimated losses for the current period.

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2010. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are determined on an actuarial basis. Biennial re-evaluation occurs to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

At March 31, 2010 and 2009, the present value of the claims payable for the State's self-insurance plan was estimated at \$3.8 million and \$3.5 million, respectively. The actuary calculated this based on the State's rate on investments.

**Risk Management Fund**  
**Changes in Claims Payable**  
(Expressed in Thousands)

	<u>2010</u>	<u>2009</u>
Liability at Beginning of Year	\$ 3,525	\$ 3,525
Current Year Claims and		
Changes in Estimates	1,062	530
Claims Payments	715	530
Liability at End of Year	<u>\$ 3,872</u>	<u>\$ 3,525</u>

As of June 30, 2010, fund assets of \$23.1 million exceeded fund liabilities of \$4.4 million by \$18.7 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1, 1999, the State added \$50 thousand coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to \$400 thousand. The effect of this change has been partially incorporated into the estimate used to determine claims payable as of June 30, 2010.

## B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$1.4 million for the fiscal year ended June 30, 2010.

## C. WORKERS' COMPENSATION

Workers' Compensation is accounted for in an Internal Service Fund. Interfund premiums are treated as quasi-external transactions. Each State agency is charged a premium based on the number of employees to be covered plus an added amount to reduce the unfunded liability. The Legislature, Legislative Council, and Law Library employees are self-insured for workers' compensation purposes. The State assumes the full risk of all claims filed for workers' compensation.

Claims liabilities are actuarially determined based on estimates of the ultimate cost of claims, including future claim adjustment expenses that have been incurred but not reported and claims reported but not settled. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The balance of claims liabilities as of June 30, 2010:

### Workers' Compensation Fund Changes in Claims Payable (Expressed in Thousands)

	<u>2010</u>	<u>2009</u>
Liability at Beginning of Year	\$ 38,673	\$ 45,358
Current Year Claims and		
Changes in Estimates	8,961	1,622
Claims Payments	8,961	8,307
Liability at End of Year	<u>\$ 38,673</u>	<u>\$ 38,673</u>

Based on the actuarial calculation as of June 30, 2009, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$45.4 million. The discounted amount is \$38.7 million and was calculated based on a 3.5 percent interest rate on investments.

## D. EMPLOYEE HEALTH INSURANCE

The employee health and retiree health insurance programs are accounted for in two Internal Service Funds. The State became self insured for employee and retiree health care coverage on July 1, 2003. A stop loss agreement with Anthem Blue Cross and Blue Shield provides catastrophic coverage for individual claims exceeding \$500 thousand.

The State retained an independent contractor for claims administration, utilization review, and case management services. Premiums are paid to the independent contractor based upon rates established with the technical assistance of the plan's consulting actuary.

There are two primary health plans available. HMO Choice is a point-of-service plan available to all active employees and retirees not eligible for Medicare. Smart Value is a Medicare Advantage plan available to Medicare eligible retirees. Total enrollment averaged approximately 40,500 covered individuals. This total includes 29,000 active employees and dependents, 4,500 pre-Medicare retirees and dependents, and 7,000 Medicare retirees and dependents.

Claims expenses are recorded when premiums are paid to the claims servicing contractor. At the end of the period, the total of these premium payments are compared with the actual claims paid and claims expense is adjusted for any overage or shortage with an offsetting receivable or liability recorded. For the period ending June 30, 2010, the State recorded a receivable of \$1.2 million for an underpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of \$15.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2010 follows (in thousands):

	<u>Employee Health Fund</u>	<u>Retiree Health Fund</u>
Liability at Beginning of Year	\$ 12,405	\$ 4,008
Current Year Claims and Changes in Estimates	110,983	13,441
Claims Payments	111,423	13,671
Liability at End of Year	<u>\$ 11,965</u>	<u>\$ 3,778</u>

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. \$40 million in retiree healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$13 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

## NOTE 13 – JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The State of Maine participates in two separate joint venture arrangements: the Tri-State Lotto Commission (Commission) and the Multi-State Lottery Association (MUSL).

### Tri-State Lotto Commission

The Commission was established in 1985 pursuant to passage into law of the Tri-State Lotto Compact by the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including ticket prices, prizes, and the licensing of agents under Title 8 MRSA C. 16.

The Commission is composed of one member from each of the participating states. Each member State's commission appoints one of its members to serve on the Commission and each member holds office at the

pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members. The Commission designated that 50 percent of its sales revenue be reserved for prize awards and agent bonuses.

A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited to future prize pools. The Commission funds its jackpots through annuity contracts purchased from insurance companies and U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on ticket sales made by each State. Exceptions are the facility's management fee, which is based on a contracted percentage of operating revenue that varies from State to State, per diem charges, advertising, and certain printing, travel, and miscellaneous costs, which are allocated based on actual charges generated by each state.

The Tri-State Lotto Commission financial report for fiscal year 2010, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected financial information:

**Tri-State Lotto Commission**  
(Expressed in Thousands)

Current Assets	\$ 35,888
Noncurrent Assets	58,433
Total Assets	<u>\$ 94,321</u>
Current Liabilities	\$ 26,860
Long-term Liabilities	52,425
Total Liabilities	<u>79,285</u>
Designated Prize Reserves	4,345
Reserve for Unrealized Gains	10,691
Total Net Assets	<u>15,036</u>
Total Liabilities and Net Assets	<u>\$ 94,321</u>
Total Revenue	\$ 78,754
Total Expenses	52,508
Allocation to Member States	26,246
Change in Unrealized Gain on Investments Held for Resale	(539)
Change in Net Assets	<u>\$ (539)</u>

**Multi-State Lottery Association**

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 32 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating party lottery's revenue.

Participating lotteries sell Powerball tickets, collect all revenues, and remit prize funds to the MUSL, net of lower tier prize awards. The operating costs of the board are divided equally among all of the participating lotteries.



Jackpot prizes payable in installments are satisfied through investments purchased by the MUSL. The MUSL purchases US government obligations which are held in irrevocable trusts established by the MUSL for the benefit of participating State lotteries. Each week the MUSL allocates 50 percent of sales to the prize pool. If no winning ticket is selected, the available jackpot is carried over to the following jackpot drawing.

The Multi-State Lottery Association's financial report for fiscal year 2010, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected information:

**Multi-State Lottery Association**

(Expressed in Thousands)

Cash and Cash Equivalents	\$ 78,668
Investments in US Government Securities	148,216
US Government Securities Held for Prize Annuities	488,579
Due from Party Lotteries	19,585
Other Assets	1,239
Total Assets	<u>\$ 736,287</u>
Amount Held for Future Prizes	\$ 221,594
Grand Prize Annuities Payable	511,513
Other Liabilities	2,676
	<u>735,783</u>
Net Assets, Unrestricted	504
Total Liabilities and Net Assets	<u>\$ 736,287</u>
Total Revenue	\$ 3,712
Total Expenses	4,002
Excess of revenue over expenses	(290)
Net assets, beginning	794
Net assets, ending	<u>\$ 504</u>

**NOTE 14 - RELATED PARTY TRANSACTIONS**

**PRIMARY GOVERNMENT**

Title 20-A MRSA § 11473 establishes the Maine College Savings Program Fund (the Fund), administered by the Finance Authority of Maine (FAME). The Fund holds all monies associated with the Maine College Savings Program doing business as the NextGen College Investing Plan (NextGen). NextGen is the primary program of the Fund and was established to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. The program has been designed to comply with the requirements for treatment as a "Qualified State Tuition Program" under Section 529 of the Internal Revenue Code.

By statute, program assets are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee

on College Savings, the proper allocation of the investments of the Fund. The NextGen had approximately \$4.8 billion in net assets at June 30, 2010, which have been recorded in a Private Purpose Trust Fund on the financial statements of the State.

The State of Maine pays a local company as a provider for mental health and independent living services through the MaineCare program. The Executive Director of the Company also serves as House Chair of the Joint Standing Committee on Health and Human Services in the Maine Legislature. During fiscal 2010, the State paid \$15.1 million for these services; \$5.1 million from the General Fund and \$10.0 million from the Federal Fund. At June 30, 2010, the State owed \$189 thousand to this vendor.

The State of Maine pays a family owned company as a provider for road reconstruction through the Department of Transportation. The family includes a House Representative on the Utilities and Energy Committee. During fiscal 2010, the State paid \$4.2 million for these services; \$3.9 million from the Highway Fund and \$.3 million from the Transit, Aviation and Rail Transportation Fund. At June 30, 2010, the State had no outstanding balance with this vendor.

The State of Maine pays a local non-profit to provide medical care, nursing facilities and MaineCare services to individuals with developmental disabilities. The Chief Executive Officer of the company is the spouse of the Commissioner of the Department of Health and Human Services. During fiscal 2010, the State paid \$5.4 million for these services; \$3.9 million from the Federal Fund and \$1.5 million from the General Fund. At June 30, 2010, the State had no outstanding balance with this vendor.

The State of Maine entered into memoranda of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Public Lands and the Bureau of Parks and Recreation. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The Authority's responsibilities are generally to manage the Reserve consistent with the Wells National Estuarine Research Reserve Management Plan dated May 1991.

#### **COMPONENT UNITS**

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$205.5 million; Maine Community College System, \$60.7 million; Maine Municipal Bond Bank, \$36.7 million; Finance Authority of Maine, \$13.6 million; and Maine State Housing Authority, \$5.9 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$30.3 million at June 30, 2010, as a liability in Amounts Held Under State Revolving Loan Programs in their financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2010, the State expended \$3.8 million to FAME for State revolving loan funds. The State also transferred \$1 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately \$6.0 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

#### **RELATED ORGANIZATIONS**

The State receives transfers in the amount of the annual operating surplus from the Maine Turnpike Authority under the Sensible Transportation Act of 1991. The Legislature defined operating surplus within the Maine Turnpike Authority statute to be the total operating revenues of the Authority after money has been set aside to pay reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The

Authority, with the concurrence of the Maine Department of Transportation, established the operating surplus at \$4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2010.

## **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

### **PRIMARY GOVERNMENT**

#### **LITIGATION**

The State of Maine, its units, and its employees are parties to numerous legal proceedings, many of which are the result of normal governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. Certain cases have the potential for liability in excess of \$1 million. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

In various lawsuits, Plaintiffs seek damages in excess of \$1 million against the State or against State officials, and various notices of claim also specify damages in excess of \$1 million where no lawsuit has been filed. In none of these lawsuits, in the view of the Attorney General, is there any reasonable possibility that the State's liability could reach or exceed \$1 million. Therefore, these suits have not been individually identified.

Numerous workers' compensation claims are now pending against various State agencies. Since most claims involve the possibility for significant long-term damages, and since the test for demonstrating a causal relationship between the employment and the illness or injury is not as rigorous as in ordinary civil cases, these cases involve the possibility of significant liability for the State. Since possible damages include future medical costs and wage replacements for the employee (and in some cases spouse), it is difficult to estimate the total potential liability to the State.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of the State.

#### **FEDERAL GRANTS**

The State receives significant financial assistance from the federal government. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Grants are subject to the Federal Single Audit Act. Disallowances by federal officials as a result of these audits may become liabilities of the State. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time.

#### **POLLUTION REMEDIATION**

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2010 is \$50.0 million. Superfund sites account for approximately \$39 million. Superfund is the federal government program to clean up hazardous waste sites.

The following are Superfund sites for which the State has recorded a liability for pollution remediation activities:

*Eastland Woolen Mill* – The State recorded a liability for pollution remediation activities of approximately \$1.7 million. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio

of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

*Eastern Surplus* – The State recorded a liability for pollution remediation activities of approximately \$30.1 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in August of 2012, the State will assume 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2010 the State has received \$2.2 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$12.9 million.

*Callahan Mine* – The State recorded a liability for pollution remediation activities of approximately \$7.3 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately \$11 million (net of unrealized recoveries of \$3.2 million) related to seven of eight uncontrolled hazardous substance sites. The State expects to recover \$753 thousand in costs. The pollution remediation liability for one of these sites could not be reasonably estimated. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

#### **MUNICIPAL SOLID WASTE LANDFILLS**

Title 38 MRSA §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. State expenditures for landfill remediation projects totaled \$257 thousand for fiscal year 2010.

During the 2010 fiscal year, no State general funds or bond funds were expended for municipal solid waste landfill closure projects. After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills, except the Commissioner may make grants or payments up to 30 percent, if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP. Consequently, the DEP expects no further expenditures for municipal landfill closures.

During the 2010 fiscal year, the State expended \$257 thousand of general obligation bond funds for municipal solid waste landfill remediation projects. Remediation funding, subject to the availability of funds, will continue for 90 percent of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50 percent for structures constructed after that date. The DEP recognizes that, in the future, some landfills will require State funds for post closure investigation and remediation activities. The DEP has estimated the amount of these potential future costs could be as much as \$3.5 million, based on current site knowledge, the increasing frequency of residential development near closed municipal landfills, the discovery of older abandoned dump sites now occupied by residential homes, and recent issues involving gas migration from two municipal landfills in the state. Approximately \$8 thousand remains in the existing municipal landfill bond account. The bond funds currently

available are insufficient to fully cover identified obligations. Additional bond funds will be necessary to cover current outstanding obligations as well as potential future remedial actions.

**SAND AND SALT STORAGE PROGRAM**

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be \$19.5 million. This consists of approximately \$13.5 million for State-owned facilities and approximately \$6 million for the State's share, under a cost sharing arrangement, for municipal facilities.

**POLLUTION ABATEMENT PROGRAM**

Title 38 MRSA § 411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2010 fiscal year, \$4.17 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2010, amounts encumbered for pollution abatement projects totaled \$7.11million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$810 thousand. As of June 30, 2010, DEP estimated the total cost (federal, State, and local) of future projects to be \$1 billion.

**GROUND WATER OIL CLEAN-UP FUND**

The Ground Water Oil Clean-up Fund is established in Title 38 MRSA § 569-A. Fund activities include, but are not limited to, providing insurance to public and private entities for cleanup of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to \$1 million per occurrence for both aboveground and underground storage tanks. Third party injury coverage may not exceed \$200 thousand per claimant.

A report to the legislature dated February 15, 2007, submitted by the Maine Department of Environmental Protection (DEP), identified 359 long-term remediation sites as of January 2007 that are covered by the insurance program. As of August 28, 2007 there were 377 sites on the long-term remediation priority list. Since it is not possible for the DEP to estimate the cost of remediation, the State has not accrued a liability in the financial statements.

**CONSTRUCTION COMMITMENTS**

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 48.93 percent of the annual payments. As of June 30, 2010, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$990.6 million.

At June 30, 2010, the Department of Transportation had contractual commitments of approximately \$16.2 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$2 million. Of these amounts, \$2.1 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

**TOBACCO SETTLEMENTS**

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions (collectively known under the MSA as the "Settling States"), entered into a Master Settlement Agreement (MSA) with certain Participating Tobacco Manufacturers (PM's). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the State's Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PM's to protect public health. In this settlement, the PM's agreed, among other things, to make annual payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and

enforcement of a State statute imposing economic conditions related to the State's public health claims on the Nonparticipating manufacturers (NPM's) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PM's claim an NPM Adjustment for a given year and prove that they lost market share to the NPM's and it is determined that the MSA was a significant factor contributing to that lost market share then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. NPM Adjustment Due to the provisions of the MSA, a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. Frequently PM's claim entitlement to the NPM Adjustment and either withhold the amount from their annual payments, or place the amount in what is known as a 'disputed payment account'. Each year beginning in 2003 Maine's annual payments have been lower than calculated because many of the PMs have claimed entitlement to the NPM Adjustment and either withheld money or routed it to the disputed payments account. For the year 2003, the Adjustment claimed by the PM's, and calculated as set forth in the MSA, was approximately 18 percent of the total amount paid by the PM's and distributed among the Settling States. However, the total amount related to the NPM Adjustment to which the PMs are entitled is dependent on the number of non-diligent states.

In addition, in the MSA, the PM's agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately \$114 million. Maine will receive this amount through ten annual SCP payments starting in 2008. In April 2010, Maine received a total of \$53.1 million including both the annual payment amount and the strategic contribution amount.

#### **ESCHEAT PROPERTY**

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds \$500 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2010, the Fund included \$4.7 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2010 of approximately \$159.7 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2010, the amount reported in the Fund for claimant liability is \$40.8 million. The General Fund shows a \$35.6 million payable to the Escheat Fund.

#### **CONSTITUTIONAL OBLIGATIONS**

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2010, loans outstanding pursuant to these authorizations are \$44.6 million, less than \$1 million, and less than \$1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2010.

Article 8, § 2, of the Maine State Constitution provides that the State may secure funds, through the issuance of bonds authorized by the Governor, for loans to Maine students attending institutions of higher education. The amount of bonds issued and outstanding shall not at any one time exceed \$4 million in the aggregate. At June 30, 2010, no bonds were outstanding. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2010.

### MORAL OBLIGATIONS

The State of Maine, through statute, enables certain Authorities to establish capital reserve funds. These funds may be used to secure a variety of financial undertakings including the issuance of bonds. The minimum amount of the capital reserve fund may be determined by statute or set by the Authority. The statutes may also limit the amount of debt that may be secured by the capital reserve funds, and allow the Authority to issue debt that is not secured by these funds.

On or before December first of each year, the Authority is required to certify to the Governor the amount, if any, necessary to restore any capital reserve fund to its required minimum. If there is a shortfall, the Governor is required to pay first from the "Contingent Account" the amounts necessary for restoration. The Governor shall certify any remaining unpaid amounts to the Legislature, which is then required to appropriate and pay the remaining amounts to the Authority during the then-current State fiscal year.

These moral obligations are not considered to be "full faith and credit" obligations of the State, and voter approval of the underlying bonds is not required. No capital reserve fund restorations have been made in the current or previous years.

The following summarizes information regarding outstanding moral obligations:

<b>Moral Obligation Bonds</b> (Expressed in Thousands)				
<u>Issuer</u>	<u>Bonds Outstanding</u>	<u>Required Debt Reserve</u>	<u>Obligation Debt Limit</u>	<u>Legal Citation</u>
Maine Health and Higher Educational Facilities Authority - debt	\$ 1,406,290	\$113,986	no limit	22 MRSA § 2075
conduit debt	148,720		no limit	22 MRSA § 2075
Finance Authority of Maine	44,820	-	\$ 596,480	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,381,459	137,778	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	210,000	12,881	300,000	20-A MRSA §11424
Maine State Housing Authority	1,524,370	-	2,150,000	30-A MRSA §4906
University of Maine System	200,346	4,948	220,000	20-A MRSA §10952
Total	<u>\$ 4,916,005</u>	<u>\$269,593</u>		

\* Reported in combining non-major component unit financial statements.

**COMPONENT UNITS****NURSING HOME LOANS**

In 1994, the Maine Department of Human Services substantially revised the eligibility criteria for Medicaid coverage of nursing facility services, causing a decline in occupancy in nursing facilities. The occupancy decline has not affected each nursing facility equally. In some instances, particularly in proprietary nursing homes borrowing under the taxable financing reserve fund resolution, which consists primarily of loans to nursing homes, these declines in occupancy created cash flow problems.

MHHEFA advanced approximately \$447 thousand from the operating fund as of June 30, 2010 to other financially troubled institutions, with combined loan amounts due the Authority of approximately \$9.2 million at June 30, 2010, including loans of \$8.8 million reserved at June 30, 2010. These advances were primarily made to assist these institutions in meeting debt service requirements in years prior to fiscal 2010. MHHEFA also has approximately \$.4 million of other receivables outstanding with the operating fund at June 30, 2010, primarily related to amounts due from institutions to reimburse the Authority for arbitrage rebate payments made on their behalf. MHHEFA established a \$.6 million reserve in its operating fund related to the above loans, advances and other receivables outstanding.

**CONSTRUCTION CONTRACTS**

At June 30, 2010, UMS had outstanding commitments on uncompleted construction contracts that totaled \$21.6 million. Maine Community College System had commitments of \$8.3 million at June 30, 2010.

**MORTGAGE COMMITMENTS**

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2009, Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$40.0 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2009, single-family loans being processed by lenders totaled \$41.4 million.

**NOTE 16 - SUBSEQUENT EVENTS****PRIMARY GOVERNMENT**

On August 11, 2010 the State issued \$68.5 million, of Bond Anticipation Notes that mature on June 15, 2011.

On July 15 and October 15, 2010, the State issued 10 million and 5 million respectively of Certificates of Participation (COP's) for the purpose of financing the State's radio network project. These COP's carry interest rates of 2.58 %, and have maturity dates in SFY 2018.

**COMPONENT UNITS**

On February 1, 2010, the Maine State Housing Authority (MSHA) redeemed at par \$49.2 million of its 1998 through 2008 Mortgage Purchase Fund bonds. On February 10, 2010, MSHA redeemed at par \$25.7 million of its 1998 through 2008 Mortgage Purchase Fund bonds.



**NOTE 17 – SPECIAL ITEM**

Pursuant to Chapters 571 and 600, PL 2009, the State returned \$66.6 million of equity in the Retiree Health Insurance Internal Service Fund to participating funds in order to address a significant budget shortfall expected for SFY 2010. Additionally, the state returned \$11.7 million of funds to the federal government. These resources were made available through rates established to accumulate assets for transfer to the State Retiree Health Irrevocable Trust Fund to meet the unfunded liability obligations for the retiree health benefits of State employees. The state suspended payments toward the unfunded liability for fiscal year 2010. The return of equity from the Fund to its participants, as well as the, return of funds to the federal government have been recorded as Special Items in the financial statements for the fiscal year ended June 30, 2010.



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# **REQUIRED SUPPLEMENTARY INFORMATION**

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## Required Supplementary Information - Budgetary Reporting

### STATE OF MAINE BUDGETARY COMPARISON SCHEDULE MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>								
Taxes	\$ 2,758,705	\$ 2,568,647	\$ 2,626,588	\$ 57,941	\$ 220,306	220,305	\$ 219,186	\$ (1,119)
Assessments and Other	118,224	114,272	116,553	2,281	83,666	80,686	83,362	2,676
Federal Grants	5,430	12,241	11,047	(1,194)	-	-	-	-
Service Charges	45,336	54,868	50,852	(4,016)	4,696	4,650	6,409	1,759
Income from Investments	948	103	281	178	173	113	162	49
Miscellaneous Revenue	19,978	29,117	16,999	(12,118)	2,074	1,938	1,302	(636)
<b>Total Revenues</b>	<u>2,948,621</u>	<u>2,779,248</u>	<u>2,822,320</u>	<u>43,072</u>	<u>310,915</u>	<u>307,692</u>	<u>310,421</u>	<u>2,729</u>
<b>Expenditures</b>								
Governmental Support and Operations	264,825	259,039	251,522	7,517	39,035	38,075	35,452	2,623
Economic Development & Workforce Training	38,027	37,170	35,788	1,382	-	-	-	-
Education	1,461,585	1,436,474	1,419,788	16,686	-	-	-	-
Health and Human Services	826,095	849,825	802,461	47,364	-	-	-	-
Business Licensing & Regulation	38	26	26	-	-	-	-	-
Natural Resources Development & Protection	70,435	69,348	67,360	1,988	39	39	38	1
Justice and Protection	281,044	281,774	276,030	5,744	31,836	31,522	30,720	802
Arts, Heritage & Cultural Enrichment	7,681	7,572	7,392	180	-	-	-	-
Transportation Safety & Development	-	-	-	-	237,940	294,749	234,579	60,170
<b>Total Expenditures</b>	<u>2,949,730</u>	<u>2,941,228</u>	<u>2,860,367</u>	<u>80,861</u>	<u>308,850</u>	<u>364,385</u>	<u>300,789</u>	<u>63,596</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(1,109)</u>	<u>(161,980)</u>	<u>(38,047)</u>	<u>123,933</u>	<u>2,065</u>	<u>(56,693)</u>	<u>9,632</u>	<u>66,325</u>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers Net	(91,949)	(86,243)	33,427	119,670	1,827	1,800	17,327	15,527
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>(91,949)</u>	<u>(86,243)</u>	<u>33,427</u>	<u>119,670</u>	<u>1,827</u>	<u>1,800</u>	<u>17,327</u>	<u>15,527</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ (93,058)</u>	<u>\$ (248,223)</u>	<u>\$ (4,620)</u>	<u>\$ 243,603</u>	<u>\$ 3,892</u>	<u>\$ (54,893)</u>	<u>\$ 26,959</u>	<u>\$ 81,852</u>
Fund Balances at Beginning of Year			131,021				127,857	
Fund Balances at End of Year			<u>\$ 126,401</u>				<u>\$ 154,816</u>	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 223,673	\$ 220,967	\$ 242,691	\$ 21,724
7	7	4	(3)	150,996	160,634	132,543	(28,091)
3,090,542	3,794,838	3,130,628	(664,210)	23,125	28,829	6,905	(21,924)
988	988	764	(224)	146,605	158,169	154,961	(3,208)
17	17	35	18	2,083	2,058	593	(1,465)
2,426	2,530	715	(1,815)	275,818	275,015	165,913	(109,102)
3,093,980	3,798,380	3,132,146	(666,234)	822,300	845,672	703,606	(142,066)
7,795	22,602	7,894	14,708	144,935	139,645	126,766	12,879
134,747	423,863	328,948	94,915	68,173	68,766	55,684	13,082
241,065	355,639	285,594	70,045	7,728	17,471	12,777	4,694
2,332,473	2,455,733	2,258,701	197,032	519,099	525,577	378,879	146,698
33,248	32,971	2,994	29,977	111,959	128,004	73,105	54,899
48,459	76,559	43,433	33,126	125,973	150,706	101,129	49,577
119,789	142,183	58,248	83,935	41,724	47,308	36,211	11,097
3,091	3,587	2,784	803	1,586	1,546	822	724
182,779	306,768	231,345	75,423	180,422	181,095	67,760	113,335
3,103,446	3,819,905	3,219,941	599,964	1,201,599	1,260,118	853,133	406,985
(9,466)	(21,525)	(87,795)	(66,270)	(379,299)	(414,446)	(149,527)	264,919
258	258	21,608	21,350	171,504	166,035	41,067	(124,968)
				180,536	181,036	59,264	(121,772)
258	258	21,608	21,350	352,040	347,071	100,331	(246,740)
\$ (9,208)	\$ (21,267)	\$ (66,187)	\$ (44,920)	\$ (27,259)	\$ (67,375)	\$ (49,196)	\$ 18,179
		54,370				206,598	
		<u>\$ (11,817)</u>				<u>\$ 157,402</u>	



# Required Supplementary Information - Budgetary Reporting

## STATE OF MAINE BUDGETARY COMPARISON SCHEDULE BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Federal Funds</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 126,401	\$ 154,816	\$ (11,818)	\$ 157,402
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	197,273	889	-	8,247
Intergovernmental Receivables	-	-	597,882	-
Other Receivables	45,447	1,675	57,892	66,470
Inventories	1,285	-	717	-
Due from Component Units	-	-	-	19,334
Due from Other Funds	3,855	5,226	964	240,582
Other Assets	1,535	-	341	15,164
Deferred Revenues	(198,812)	(6,502)	(1,472)	(26,882)
Total Revenue Accruals/Adjustments	<u>50,583</u>	<u>1,288</u>	<u>656,324</u>	<u>322,915</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(194,824)	(12,149)	(539,558)	(26,770)
Due to Component Units	(13,460)	(26)	(8,232)	(396)
Bonds Issued	-	-	-	-
Accrued Liabilities	(1,116)	(7,085)	(4,992)	(6,779)
Taxes Payable	(137,338)	(11)	-	-
Intergovernmental Payables	-	-	(60,862)	-
Due to Other Funds	(138,494)	(80,430)	(8,780)	(3,890)
Total Expenditure Accruals/Adjustments	<u>(485,232)</u>	<u>(99,701)</u>	<u>(622,424)</u>	<u>(37,835)</u>
Fund Balances - GAAP Basis	<u>\$ (308,248)</u>	<u>\$ 56,403</u>	<u>\$ 22,082</u>	<u>\$ 442,482</u>

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING**

### **Statutory/Budgetary Presentation**

In accordance with statute, the Governor presents a biennial budget for the General Fund and special revenue funds to the Legislature for enactment or revision. Effective November 27, 1995, a State Constitutional Amendment provided the Governor a “line item” veto of dollar amounts, allowing a dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document. Another Constitutional Amendment requires the State to fund at least 90 percent of the annual cost of future mandates imposed on local governments; any exception requires a two-thirds vote of the elected members of the House and Senate.

Once passed and signed, the budget becomes the financial plan for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. The State Budget Officer is required to use the revenue projections of the Revenue Forecasting Committee in preparing the General Fund and Highway Fund budgets.

Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2010, the legislature deappropriated \$77.1 million of original appropriations for the General Fund.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation, is employed in governmental fund types. For financial statement purposes, encumbrances outstanding at June 30 are shown as reservations of fund balance. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. Amounts carried forward are shown as reservations of fund balance.

The State’s budget is prepared primarily on a cash basis. Sales, income, corporate and fuel taxes include a modified accrual basis adjustment to recognize revenues that are expected to be collected within 60 days of the end of the fiscal year.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most “operating” funds.



The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2009-2010, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of May 28, 2009, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 30, 2010 rather than the amounts shown in the original budget, are reported.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, approved transfers, and executive order reductions. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by policy area rather than being reported by character and function as shown in the GAAP statements. This policy area classification is used to better reflect organizational responsibility and to be more consistent with the budget process.

#### **Compliance at the Legal Level of Budgetary Control**

The Budgetary Comparison Schedules by Agency depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds. The schedules provide further detail at the agency level within departments for transparency.

## Required Supplementary Information – State Retirement Plan

### Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2010	8,369,772,080	12,676,367,068	4,306,594,988	66.0%	1,681,593,315	256.1%
June 30, 2009	8,383,147,465	12,377,262,461	3,994,114,996	67.7%	1,678,930,948	237.9%
June 30, 2008	8,691,075,704	11,721,271,968	3,030,196,264	74.1%	1,628,421,362	186.1%
June 30, 2007	8,302,466,643	11,209,708,127	2,907,241,484	74.1%	1,595,199,514	182.2%
June 30, 2006	7,556,514,663	10,598,346,071	3,041,831,408	71.3%	1,546,315,522	196.7%
June 30, 2005	7,013,846,148	10,048,587,643	3,034,741,495	69.8%	1,516,390,862	200.1%
June 30, 2004	6,498,608,717	9,485,605,608	2,986,996,891	68.5%	1,472,429,214	202.9%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2008	June 30, 2006	June 30, 2004
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	8.00%
Projected salary increases	4.75% - 10.00%	4.75% - 10.00%	5.50% - 9.50%
Includes inflation at	4.50%	4.50%	4.50%
Cost of living adjustments	3.75%	3.75%	4.00%

The June 30, 2010 valuation retained the same actuarial assumptions.

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system. The June 30, 2010 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the “sunset” provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2010 was determined by the 2008 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 7 years remained at June 30, 2010.

Note: Actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2010.

## Required Supplementary Information – Other Post-employment Benefit Plans

### Schedules of Funding Progress (Expressed in millions)

#### State Employees Healthcare Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
June 30, 2009	82	1,311	1,229	6.25%	595	206.55%
June 30, 2008	98	1,242	1,144	7.89%	568	201.41%

#### Teachers Healthcare Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2010	N/A	1,005	1,005	0.00%	1,064	94.45%
June 30, 2009	N/A	994	994	0.00%	1,215	81.81%
June 30, 2008	N/A	1,044	1,044	0.00%	1,160	90.00%

#### State Employees Group Life Insurance Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2010	19.7	71.5	51.8	27.55%	615.6	8.41%
June 30, 2009	17.5	67.9	50.4	25.77%	601.1	8.38%
June 30, 2008	21.1	64.9	43.8	32.51%	601.1	7.29%

#### Teachers Group Life Insurance Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2010	21.4	60.4	39.0	35.43%	650.6	5.99%
June 30, 2009	17.7	54.7	37.0	32.36%	591.1	6.26%
June 30, 2008	19.9	52.1	32.2	38.20%	591.1	5.45%

## Required Supplementary Information – Other Post-employment Benefit Plans (continued)

### Schedules of Funding Progress

(Expressed in 000's)

#### First Responders Healthcare Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2009	N/A	20,063	20,063	0.00%	51,876	38.67%
June 30, 2008	N/A	19,806	19,806	0.00%	51,021	38.82%

Biennial valuations are required. The three most recent valuations are presented in accordance with standards (where applicable). This is the third year of prospective implementation.

### Schedule of Employer Contributions

(Expressed in 000's)

	Employer Contributions					
	State Employees		Teachers		First Responders	
Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
Healthcare - 2010	92,000	59.78%	56,000	34.55%	1,051	35.01%
Healthcare - 2009	77,000	65.43%	60,000	30.65%	1,045	.25%
Healthcare - 2008	111,000	149.90%	46,000	38.38%	1,045	0%
Group Life - 2010	6,800	93.54%			N/A	N/A
Group Life - 2009	5,700	217.14%			N/A	N/A
Group Life - 2008	5,500	.42%			N/A	N/A

## Required Supplementary Information – Information about Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,873 highway miles or 18,048 lane miles of roads and 2,961 bridges having a total deck area of 11.7 million square feet that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved at, or above, the established condition level.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

### Highways

#### **Measurement Scale for Highways**

The Maine Department of Transportation (MDOT) uses six indicators to determine the condition of highway adequacy. The six indicators and their relative point weighting are listed in the table below.

Data Element	Point Rating (%)	Description
Pavement Condition Rating (PCR)	45	PCR is defined as the composite condition of the pavement on a roadway only, and is compiled from the severity and extent of pavement distresses such as cracking, rutting and patching. It is the key indicator used to determine the optimum time to treat a particular section of road. Points decrease as PCR decreases.
Safety	20	Statewide crash rates are used to allocate points. Locations with high rates get fewer points.
Backlog (Built v Unbuilt roadway)	15	A “Built” road is one that has been constructed to a modern standard, usually post 1950. This includes adequate drainage, base, and pavement to carry the traffic load, and adequate sight distance and width to meet current safety standards. “Unbuilt” (backlog) is defined as a roadway section that has not been built to modern standards. Yes or No (15 or 0).
Annual Average Daily Traffic divided by the hourly highway capacity (AADT/C)	10	This ratio measures how intensely a highway is utilized. As a highway facility’s AADT/C ratio increases, the average speed of vehicles on that facility tends to decrease. This decrease in average speed is evidence of reduced mobility. As congestion increases, points decrease (0-10).
Posted Speed	5	Lower speeds equal fewer points.
Paved Shoulder	5	In general, roadways with paved shoulders perform at a higher level and last longer than those without shoulders or with only gravel shoulders. Yes or No (5 or 0).
	100	

## **Bridges**

MDOT uses four separate factors to obtain a numerical value used to indicate the ability of bridges to remain in service at the current level of usage. The numeric value is a percentage ranging from 0% to represent an entirely insufficient or deficient bridge, and 100% to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation's Bridges.

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reductions	(13)	The sufficiency rating also includes consideration of special reductions for detour length, safety features, and type of structure.

### **Assessed Conditions**

The following table shows adequacy ratings for maintenance levels from Excellent to Poor.

Adequacy Rating	Total
Excellent	80-100
Good	70-80
Fair	60-70
Poor	0-60

MDOT intends to maintain highways and bridges at an adequacy rating of 60 or higher. The following table shows adequacy ratings achieved by MDOT.

Fiscal Year	Highways	Bridges
2010	76.2	79.0
2009	75.3	78.0
2008	75.6	79.0

### Comparison of Estimated-to-Actual Preservation Costs

The following table presents the State's preservation costs for the past five fiscal years. It also shows the estimate of spending necessary to preserve and maintain the roads and bridges at, or above, a sufficiency rating of 60 for both highways and bridges (in millions).

Actual Preservation Costs (Amounts in millions)					
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Highways .....	\$ 68.6	\$ 74.5	\$ 80.0	\$ 71.7	\$ 46.3
Bridges .....	9.2	1.6	1.6	1.6	4.8
<b>Total</b> .....	<b><u>\$ 77.8</u></b>	<b><u>\$ 76.1</u></b>	<b><u>\$ 81.6</u></b>	<b><u>\$ 73.3</u></b>	<b><u>\$ 51.1</u></b>

Estimated Preservation Costs (Amounts in millions)					
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Highways .....	\$ 48.5	\$ 55.8	\$ 97.7	\$ 59.7	\$ 47.1
Bridges .....	6.5	1.2	2.0	1.3	4.9
<b>Total</b> .....	<b><u>\$ 55.0</u></b>	<b><u>\$ 57.0</u></b>	<b><u>\$ 99.7</u></b>	<b><u>\$ 61.0</u></b>	<b><u>\$ 52.0</u></b>

### Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 414, PL 2009, \$25 million was spent during FY2010.





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# **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

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**STATE OF MAINE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

June 30, 2010  
(Expressed in Thousands)

	Special Revenue	Capital Projects	Permanent Funds	Totals Other Governmental Funds
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ 100	\$ -	\$ -	\$ 100
Investments	53,144	-	12,250	65,394
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	36,232	-	36,232
Due from Component Units	-	116	-	116
Other Assets	-	13	-	13
<b>Total Assets</b>	<b>\$ 53,244</b>	<b>\$ 36,361</b>	<b>\$ 12,250</b>	<b>\$ 101,855</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ -	\$ 1,481	\$ -	\$ 1,481
Due to Other Funds	-	38	-	38
Due to Component Units	-	1,281	-	1,281
Deferred Revenue	-	3	-	3
<b>Total Liabilities</b>	<b>-</b>	<b>2,803</b>	<b>-</b>	<b>2,803</b>
Fund Balances:				
Reserved				
Continuing Appropriations	170	-	-	170
Capital Projects	-	33,558	-	33,558
Permanent Trusts	-	-	12,250	12,250
Other	53,074	-	-	53,074
<b>Total Fund Balances</b>	<b>53,244</b>	<b>33,558</b>	<b>12,250</b>	<b>99,052</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 53,244</b>	<b>\$ 36,361</b>	<b>\$ 12,250</b>	<b>\$ 101,855</b>

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Funds</b>	<b>Totals Other Governmental Funds</b>
Revenues:				
Investment Income (Loss)	\$ 6,538	\$ -	\$ 1,105	\$ 7,643
Miscellaneous Revenue	-	1,661	-	1,661
Total Revenues	<u>6,538</u>	<u>1,661</u>	<u>1,105</u>	<u>9,304</u>
Expenditures:				
Governmental Support & Operations	126	10,063	-	10,189
Economic Development & Workforce Training	-	13,645	-	13,645
Education	-	11,165	-	11,165
Natural Resources Development & Protection	-	7,772	-	7,772
Justice and Protection	-	495	-	495
Arts, Heritage, and Cultural Enrichment	-	754	-	754
Transportation, Safety & Development	-	33,639	-	33,639
Total Expenditures	<u>126</u>	<u>77,533</u>	<u>-</u>	<u>77,659</u>
Revenue over (under) Expenditures	<u>6,412</u>	<u>(75,872)</u>	<u>1,105</u>	<u>(68,355)</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	1,383	381	-	1,764
Transfers to Other Funds	(3,458)	(750)	(22)	(4,230)
Bonds Issued	-	56,835	-	56,835
Net Other Finance Sources (Uses)	<u>(2,075)</u>	<u>56,466</u>	<u>(22)</u>	<u>54,369</u>
Revenue and Other Sources over (under) Expenditures and Other Uses	<u>4,337</u>	<u>(19,406)</u>	<u>1,083</u>	<u>(13,986)</u>
Fund Balances at Beginning of Year	<u>48,907</u>	<u>52,964</u>	<u>11,167</u>	<u>113,038</u>
Fund Balances at End of Year	<u>\$ 53,244</u>	<u>\$ 33,558</u>	<u>\$ 12,250</u>	<u>\$ 99,052</u>



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# OTHER GOVERNMENTAL FUNDS

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## Special Revenue Funds

Baxter Park Fund – This fund accounts for a gift to the State of Maine by former Governor Baxter, which allows for the principal and interest to be used to purchase public reserved lands. Interest income may also be used for operations of the Baxter State Park.

Revenue on Permanent Funds Fund – This fund accounts for expendable earnings on permanent fund balances.

## Capital Projects Funds

General Bond Fund – This fund accounts for the acquisition or construction of major capital facilities, other than highways and bridges that are financed primarily from proceeds of general obligation bonds.

The State also includes proceeds from bond issues for purposes other than construction of major capital facilities in this fund.

## Permanent Funds

Baxter Park Trust Fund – This fund accounts for a gift to the State of Maine by former Governor Baxter, calling for principal to be maintained intact and income to be used for park operations.

Other Trust Funds – These funds are comprised of numerous small Permanent Funds, the income from which may be used for specified purposes.

# STATE OF MAINE

## COMBINING BALANCE SHEET

### NON-MAJOR SPECIAL REVENUE FUNDS

June 30, 2010  
(Expressed in Thousands)

			<u>Totals</u>
	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Special Revenue Funds</u>
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 100	\$ 100
Investments	53,105	39	53,144
	<u>53,105</u>	<u>39</u>	<u>53,144</u>
Total Assets	<u>\$ 53,105</u>	<u>\$ 139</u>	<u>\$ 53,244</u>
<b>Liabilities and Fund Balances</b>			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Reserved			
Continuing Appropriations	-	170	170
Other	53,105	(31)	53,074
	<u>53,105</u>	<u>139</u>	<u>53,244</u>
Total Fund Balances	<u>53,105</u>	<u>139</u>	<u>53,244</u>
Total Liabilities and Fund Balances	<u>\$ 53,105</u>	<u>\$ 139</u>	<u>\$ 53,244</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

			<u>Totals</u>
	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Special Revenue Funds</u>
<b>Revenues:</b>			
Investment Income	\$ 6,343	\$ 195	\$ 6,538
Total Revenues	<u>6,343</u>	<u>195</u>	<u>6,538</u>
<b>Expenditures</b>			
General Government	-	126	126
Total Expenditures	<u>-</u>	<u>126</u>	<u>126</u>
Revenue over (under) Expenditures	<u>6,343</u>	<u>69</u>	<u>6,412</u>
Other Financing Sources (Uses):			
Transfer from Other Funds	-	1,383	1,383
Transfer to Other Funds	<u>(1,975)</u>	<u>(1,483)</u>	<u>(3,458)</u>
Net Other Finance Sources (Uses)	<u>(1,975)</u>	<u>(100)</u>	<u>(2,075)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>4,368</u>	<u>(31)</u>	<u>4,337</u>
Fund Balances at Beginning of Year	<u>48,737</u>	<u>170</u>	<u>48,907</u>
Fund Balances at End of Year	<u><u>\$ 53,105</u></u>	<u><u>\$ 139</u></u>	<u><u>\$ 53,244</u></u>

# STATE OF MAINE

## BALANCE SHEET

### NON-MAJOR CAPITAL PROJECTS FUND

June 30, 2010  
(Expressed in Thousands)

	<b>General Bond Fund</b>
<b>Assets</b>	
Restricted Assets:	
Restricted Equity in Treasurer's Cash Pool	\$ 36,232
Due from Component Units	116
Other Assets	13
	<hr/>
Total Assets	\$ 36,361
	<hr/>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts Payable	\$ 1,481
Due to Other Funds	38
Due to Component Units	1,281
Deferred Revenue	3
	<hr/>
Total Liabilities	2,803
	<hr/>
Fund Balances:	
Reserved	
Capital Projects	33,558
	<hr/>
Total Fund Balances	33,558
	<hr/>
Total Liabilities and Fund Balances	\$ 36,361
	<hr/>



# STATE OF MAINE

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NON-MAJOR CAPITAL PROJECTS FUND

Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	<b>General Bond Fund</b>
<b>Revenues:</b>	
Miscellaneous Revenue	\$ 1,661
Total Revenues	<u>1,661</u>
<b>Expenditures</b>	
Current:	
Governmental Support & Operations	10,063
Economic Development & Workforce Training	13,645
Education	11,165
Natural Resources Development & Protection	7,772
Justice and Protection	495
Arts, Heritage & Cultural Enrichment	754
Transportation, Safety & Development	<u>33,639</u>
Total Expenditures	<u>77,533</u>
Revenue over (under) Expenditures	<u>(75,872)</u>
Other Financing Sources (Uses):	
Transfers from Other Funds	381
Transfers to Other Funds	(750)
Bonds Issued	<u>56,835</u>
Net Other Finance Sources (Uses)	<u>56,466</u>
Revenues and Other Sources over (under)	
Expenditures and Other Uses	<u>(19,406)</u>
Fund Balances at Beginning of Year	<u>52,964</u>
Fund Balances at End of Year	<u><u>\$ 33,558</u></u>

# STATE OF MAINE

## COMBINING BALANCE SHEET

### NON-MAJOR PERMANENT FUNDS

June 30, 2010  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
<b>Assets</b>			
Investments	\$ 4,485	\$ 7,765	\$ 12,250
Total Assets	<u>\$ 4,485</u>	<u>\$ 7,765</u>	<u>\$ 12,250</u>
<b>Fund Balances</b>			
Reserved:			
Permanent Trusts	<u>\$ 4,485</u>	<u>\$ 7,765</u>	<u>\$ 12,250</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR PERMANENT FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
Revenues:			
Investment Income (Loss)	\$ 361	\$ 744	\$ 1,105
Total Revenues	<u>361</u>	<u>744</u>	<u>1,105</u>
Expenditures			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) Expenditures	<u>361</u>	<u>744</u>	<u>1,105</u>
Transfers to Other Funds	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Net Other Finance Sources (Uses)	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>361</u>	<u>722</u>	<u>1,083</u>
Fund Balances at Beginning of Year	<u>4,124</u>	<u>7,043</u>	<u>11,167</u>
Fund Balances at End of Year	<u><u>\$ 4,485</u></u>	<u><u>\$ 7,765</u></u>	<u><u>\$ 12,250</u></u>

**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Department of Administrative and Financial Services</i></b>			
Administrative Services	\$ 13,932	\$ 13,636	\$ 296
Financial Services	101,522	98,985	2,537
Human Resources	2,138	2,136	2
Purchasing	662	607	55
Bureau of Information Services	8,837	8,837	0
State Employee Health Commission	659	659	(0)
	<u>127,750</u>	<u>124,860</u>	<u>2,890</u>
<b><i>Department of Agriculture</i></b>	<u>6,438</u>	<u>5,817</u>	<u>621</u>
<b><i>Attorney General</i></b>	<u>13,923</u>	<u>13,776</u>	<u>147</u>
<b><i>Department of Audit</i></b>	<u>1,292</u>	<u>1,199</u>	<u>93</u>
<b><i>Department of Corrections</i></b>			
Corrections	48,434	45,068	3,366
Maine State Prison	39,460	39,210	250
Maine Correctional Center	25,408	25,174	234
Dowd Correctional Facility	6,081	5,966	115
Charleston Correctional Facility	18,394	18,055	339
Long Creek Youth Development Center	15,788	15,632	156
	<u>153,565</u>	<u>149,104</u>	<u>4,461</u>
<b><i>Department of Conservation</i></b>	<u>23,779</u>	<u>23,057</u>	<u>722</u>
<b><i>Department of Economic and Community Development</i></b>	<u>12,134</u>	<u>12,005</u>	<u>129</u>
<b><i>Department of Environmental Protection</i></b>	<u>5,901</u>	<u>5,883</u>	<u>18</u>
<b><i>Department of Human Services</i></b>			
Human Services	596,773	556,508	40,265
Behavioral and Developmental Services	217,332	212,210	5,122
Riverview Psychiatric Center	11,390	11,067	323
Dorothea Dix Psychiatric Center	12,267	10,875	1,392
Office of Substance Abuse	11,640	11,394	246
Elizabeth Levinson Center	170	170	(0)
	<u>849,572</u>	<u>802,224</u>	<u>47,348</u>
<b><i>Department of Labor</i></b>			
Labor	10,982	9,807	1,175
Labor Relations Board	460	454	6
	<u>11,442</u>	<u>10,261</u>	<u>1,181</u>
<b><i>Defense, Veterans and Emergency Management</i></b>	<u>7,580</u>	<u>7,400</u>	<u>180</u>
<b><i>Department of Education</i></b>			
Education	1,173,701	1,158,925	14,776
Education - Unorganized Territory	13,883	11,993	1,890
	<u>1,187,584</u>	<u>1,170,918</u>	<u>16,666</u>
<b><i>General Government</i></b>			
Office of the Governor	2,835	2,601	234
State Planning	2,037	1,946	91
Ombudsman Program	123	122	1
	<u>4,995</u>	<u>4,669</u>	<u>326</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Inland Fisheries and Wildlife</b>	\$ 23,488	\$ 22,952	\$ 536
<b>Judicial Department</b>	66,795	66,735	60
<b>Legislative Department</b>			
Legislative	24,598	21,001	3,597
Law and Legislative Reference Library	1,536	1,485	51
Statehouse Preservation and Maintenance	500	283	217
Program Evaluation and Government Accountability	836	709	127
	<u>27,470</u>	<u>23,477</u>	<u>3,993</u>
<b>Department of Marine Resources</b>	9,621	9,529	92
<b>Department of Public Safety</b>	29,720	29,205	515
<b>Public Utilities Commission</b>	26	26	-
<b>Secretary of State</b>			
Secretary of State	2,630	2,610	20
Archives Services	818	809	9
	<u>3,448</u>	<u>3,418</u>	<u>30</u>
<b>Treasurer of State</b>	92,685	92,439	246
<b>Other Agencies</b>			
Museum	1,513	1,510	3
Maine State Cultural Affairs Council	85	34	51
Maine Historic Preservation Commission	287	286	1
Library	2,924	2,855	69
Maine Humanities Council	55	55	(0)
Finance Authority of Maine	12,985	12,985	(0)
Centers for Innovation	122	122	(0)
Com. On Governmental Ethics and Election Practices	130	128	2
Maine Indian Tribal State Council	78	78	-
Board of Property Tax Review	80	69	11
Maine Municipal Bond Bank	72	72	0
Maine State Retirement System	1,113	1,113	0
Human Rights Commission	503	499	4
Saco River Corridor Commission	49	49	0
NE International Water Pollution Control Commission	8	8	(0)
Downeast Institute Appl Marine	13	13	(0)
Atlantic States Marine Fisheries Commission	29	29	(0)
St. Croix International Waterway	23	23	0
Maine Public Broadcasting Corporation	1,954	1,954	(0)
Maine State Housing Authority	378	378	(0)
Board of Education	100	81	19
Maine Historical Society	47	47	0
Foundation for Blood Research	54	54	(0)
Pine Tree Legal	264	264	(0)
Maine Community College System	52,228	52,228	(0)
Maine Maritime Academy	8,204	8,204	(0)
University of Maine	188,357	188,357	0
Arts and Humanities Administration	707	651	56
Disability Rights Center	131	118	13
Maine Hospice Counsel	66	66	0
Maine Development Foundation	36	36	0
State Board of Corrections	9,170	8,835	335
Commission on Indigent Legal Services	255	212	43
	<u>282,020</u>	<u>281,414</u>	<u>606</u>
<b>Grand Total</b>	\$ 2,941,228	\$ 2,860,367	\$ 80,861



**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**HIGHWAY FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Department of Administrative and Financial Services</i></b>			
Administrative Services	\$ 2,582	\$ 2,436	\$ 146
Financial Services	1,079	995	84
	<u>3,661</u>	<u>3,431</u>	<u>230</u>
<b><i>Department of Environmental Protection</i></b>	<u>39</u>	<u>38</u>	<u>1</u>
<b><i>Department of Transportation</i></b>			
Transportation	294,145	233,974	60,171
Rail/Van Pool	604	604	-
	<u>294,749</u>	<u>234,578</u>	<u>60,171</u>
<b><i>Department of Public Safety</i></b>	<u>31,522</u>	<u>30,720</u>	<u>802</u>
<b><i>Secretary of State</i></b>			
Motor Vehicles	<u>34,414</u>	<u>32,022</u>	<u>2,392</u>
<b><i>Grand Total</i></b>	<u>\$ 364,385</u>	<u>\$ 300,789</u>	<u>\$ 63,596</u>

**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**FEDERAL FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Bureau of Information Services	\$ 112	\$ 112	\$ -
Financial Services	743	514	229
Financial and Personnel Services	611	501	110
State Employee Health Commission	21	-	21
	<u>1,487</u>	<u>1,127</u>	<u>360</u>
<b>Department of Agriculture</b>	<u>8,280</u>	<u>4,486</u>	<u>3,794</u>
<b>Attorney General</b>	<u>2,748</u>	<u>1,695</u>	<u>1,053</u>
<b>Department of Corrections</b>			
Corrections	5,721	2,204	3,517
Maine State Prison	20	-	20
Maine Correctional Center	82	49	33
Downeast Correctional Facility	48	-	48
Charleston Correctional Facility	239	144	95
Long Creek Youth Development Center	214	184	30
	<u>6,324</u>	<u>2,581</u>	<u>3,743</u>
<b>Department of Conservation</b>	<u>22,963</u>	<u>7,030</u>	<u>15,933</u>
<b>Department of Economic and Community Development</b>	<u>47,915</u>	<u>20,068</u>	<u>27,847</u>
<b>Department of Environmental Protection</b>	<u>21,016</u>	<u>13,645</u>	<u>7,371</u>
<b>Department of Human Services</b>			
Human Services	2,419,514	2,239,579	179,935
Behavioral and Developmental Services	16,601	8,579	8,022
Office of Substance Abuse	19,148	10,999	8,149
	<u>2,455,263</u>	<u>2,259,157</u>	<u>196,106</u>
<b>Department of Labor</b>	<u>375,948</u>	<u>308,881</u>	<u>67,067</u>
<b>Department of Transportation</b>			
Transportation	302,875	230,039	72,836
Air Transportation	2,621	1,042	1,579
Ferry Service/Ports and Marine	757	110	647
Rail/Van Pool	515	154	361
	<u>306,768</u>	<u>231,345</u>	<u>75,423</u>
<b>Defense, Veterans and Emergency Management</b>	<u>110,470</u>	<u>39,964</u>	<u>70,506</u>
<b>Department of Education</b>			
Education	340,229	275,605	64,624
Education - Unorganized Territory	689	484	205
	<u>340,918</u>	<u>276,089</u>	<u>64,829</u>
<b>General Government</b>			
Office of the Governor	9,167	1,277	7,890
State Planning	6,027	3,296	2,731
Ombudsman Program	57	57	-
	<u>15,251</u>	<u>4,630</u>	<u>10,621</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>14,993</u>	<u>11,096</u>	<u>3,897</u>
<b>Judicial Department</b>	<u>3,859</u>	<u>3,554</u>	<u>305</u>
<b>Department of Marine Resources</b>	<u>9,308</u>	<u>7,176</u>	<u>2,132</u>
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	<u>24</u>	<u>20</u>	<u>4</u>
<b>Department of Public Safety</b>	<u>18,331</u>	<u>10,025</u>	<u>8,306</u>



	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Public Utilities Commission</b>	\$ 32,947	\$ 2,974	\$ 29,973
<b>Secretary of State</b>			
Secretary of State	5,258	1,390	3,868
Motor Vehicles	485	149	336
Archives Services	119	63	56
	<u>5,862</u>	<u>1,602</u>	<u>4,260</u>
<b>Other Agencies</b>			
Arts and Humanities Administration	1,319	1,078	241
Human Rights Commission	453	429	24
Library	1,363	1,039	324
Maine Historic Preservation Commission	774	631	143
Museum	131	36	95
University of Maine	7,798	7,019	779
Maine Maritime Academy	1,001	-	1,001
Maine Community College System	5,921	2,488	3,433
Dirigo Health	470	76	394
	<u>19,230</u>	<u>12,796</u>	<u>6,434</u>
<b>Grand Total</b>	<u>\$ 3,819,905</u>	<u>\$ 3,219,941</u>	<u>\$ 599,964</u>

**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**OTHER SPECIAL REVENUE FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Department of Administrative and Financial Services</i></b>			
Administrative Services	\$ 2,123	\$ 1,343	\$ 780
Financial Services	20,661	18,090	2,571
Human Resources	496	340	156
Financial and Personnel Services	31	12	19
State Employee Health Commission	75	13	62
Purchasing	4	1	3
	<u>23,390</u>	<u>19,799</u>	<u>3,591</u>
<b><i>Department of Agriculture</i></b>	<u>42,080</u>	<u>36,632</u>	<u>5,448</u>
<b><i>Attorney General</i></b>	<u>14,217</u>	<u>11,909</u>	<u>2,308</u>
<b><i>Department of Audit</i></b>	<u>1,956</u>	<u>1,607</u>	<u>349</u>
<b><i>Department of Corrections</i></b>			
Corrections	1,359	365	994
Maine State Prison	137	59	78
Maine Correctional Center	636	327	309
Doweast Correctional Facility	97	49	48
Charleston Correctional Facility	416	188	228
Long Creek Youth Development Center	39	5	34
	<u>2,684</u>	<u>993</u>	<u>1,691</u>
<b><i>Department of Conservation</i></b>	<u>27,695</u>	<u>18,561</u>	<u>9,134</u>
<b><i>Department of Economic and Community Development</i></b>	<u>12,339</u>	<u>9,539</u>	<u>2,800</u>
<b><i>Department of Environmental Protection</i></b>			
Environmental Protection	60,718	33,172	27,546
	<u>60,718</u>	<u>33,172</u>	<u>27,546</u>
<b><i>Department of Human Services</i></b>			
Human Services	439,712	302,565	137,147
Behavioral and Developmental Services	25,999	23,603	2,396
Riverview Psychiatric Center	24,303	22,062	2,241
Dorothea Dix Psychiatric Center	21,160	17,479	3,681
Office of Substance Abuse	7,604	6,995	609
	<u>518,778</u>	<u>372,704</u>	<u>146,074</u>
<b><i>Department of Labor</i></b>			
Labor	5,405	2,677	2,728
Labor Relations Board	82	78	4
	<u>5,487</u>	<u>2,755</u>	<u>2,732</u>
<b><i>Department of Transportation</i></b>			
Transportation	180,722	67,507	113,215
Air Transportation	100	4	96
Rail/Van Pool	271	249	22
	<u>181,093</u>	<u>67,760</u>	<u>113,333</u>
<b><i>Defense, Veterans and Emergency Management</i></b>	<u>2,442</u>	<u>1,488</u>	<u>954</u>
<b><i>Department of Education</i></b>			
Education	13,773	9,493	4,280
Education - Unorganized Territory	8	-	8
	<u>13,781</u>	<u>9,493</u>	<u>4,288</u>
<b><i>General Government</i></b>			
Office of the Governor	96	-	96
State Planning	6,440	2,281	4,159
Public Advocate	2,156	1,662	494
	<u>8,692</u>	<u>3,943</u>	<u>4,749</u>
<b><i>Department of Inland Fisheries and Wildlife</i></b>	<u>7,523</u>	<u>4,066</u>	<u>3,457</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Judicial Department</b>	\$ 5,173	\$ 3,501	\$ 1,672
<b>Legislative Department</b>			
Legislative	274	10	264
<b>Department of Marine Resources</b>	8,535	5,161	3,374
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	30,156	22,501	7,655
Board of Dental Examiners	396	303	93
Board of Nursing	1,115	882	233
Board of Optometry	67	61	6
Board of Osteopathic Examination and Registration	197	193	4
Board of Professional Engineers	243	206	37
Board of Registration in Medicine	1,582	1,455	127
	33,756	25,601	8,155
<b>Department of Public Safety</b>	19,973	16,080	3,893
<b>Public Utilities Commission</b>	80,722	35,360	45,362
<b>Secretary of State</b>			
Secretary of State	279	181	98
Motor Vehicles	1,628	1,062	566
Archives Services	49	2	47
	1,956	1,245	711
<b>Treasurer of State</b>	97,446	97,435	11
<b>Other Agencies</b>			
Arts and Humanities Administration	102	52	50
Baxter State Park Authority	3,744	3,323	421
Board of Water System Operators	121	72	49
Com. On Governmental Ethics and Election Practices	8,088	6,052	2,036
Dirigo Health	4,683	4,683	-
Finance Authority of Maine	3,488	2,879	609
Harness Racing Promotion Board	189	94	95
Human Rights Commission	21	15	6
Library	468	240	228
Lobster Promotion Council	436	421	15
Maine Community College System	1,822	1,532	290
Maine Health Data Organization	2,065	1,457	608
Maine Historic Preservation Commission	592	330	262
Maine Potato Board	1,418	642	776
Maine State Cultural Affairs Council	65	-	65
Maine State Housing Authority	6,209	5,519	690
Maine Children's Trust Incorporated	48	36	12
Museum	318	200	118
Saco River Corridor Commission	41	41	-
University of Maine	1,868	1,752	116
Worker's Compensation Board	10,671	9,782	889
Wild Blueberry Commission of Maine	1,595	1,460	135
Maine Energy Conservation Board	250	100	150
Maine Municipal Bond Bank	37,607	32,375	5,232
Maine Efficiency Trust	700	700	-
State Board of Correction	2,799	562	2,237
	89,408	74,319	15,089
<b>Grand Total</b>	\$ 1,260,118	\$ 853,133	\$ 406,985



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# NON-MAJOR ENTERPRISE FUNDS

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Lottery Fund – This fund was established to account for all operations of the Maine State Lottery. This includes the Tri-State Lotto Commission and the Multi-State Lottery Association. The Tri-State Lotto Commission was established in 1985 and is a joint venture between the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the prices of tickets, the number and size of prizes for winning tickets, and the licensing of agents. The Multi-State Lottery Association was established in July 2004 and is authorized to initiate, promulgate, administer and carry out one or more lottery product offerings.

Alcoholic Beverages Fund - This fund was established to license and regulate the sale of alcoholic beverages. During fiscal year 2004, the State entered into a ten-year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent.

Maine Military Authority Fund – This fund was created for the purpose of operating the Maine Readiness Sustainment Maintenance Center. The Center maintains, rebuilds, repairs, stores and manufactures equipment for the United States Departments of Defense, Army, Air Force, Navy and Treasury.

Seed Potato Board Fund – This fund accounts for the growing of nuclear seed for sale to potato growers, for research in disease control, and the development of new product varieties.

Marine Ports Fund – This fund is used to account for the operation and maintenance of port facilities within the jurisdiction of the Department of Transportation.

State Ferry Service Fund – This fund accounts for the operation of ferry services between the mainland and various islands for the purpose of transporting vehicles, freight, and passengers to and from those islands.

Prison Industries Fund – This fund accounts for a self-supporting program of job training through the employment of inmates in manufacturing and selling products.

Dirigo Health Agency - This fund was created to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, including the self-employed, their employees and dependents, and individuals on a voluntary basis.

State Transit, Aviation and Rail Transportation Fund – This fund was established to support purchasing, operating, maintaining, improving, repairing, constructing and management of transportation buildings, structures and improvements, and equipment.

Consolidated Emergency Communications Fund – This fund accounts for payments made by municipal, county, and state governmental entities towards the implementation of the Statewide Communication System.

**STATE OF MAINE**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**

June 30, 2010  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 2,037	\$ -	\$ 903	\$ 2
Cash and Short-Term Investments	750	-	-	-
Inventories	-	-	1,651	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	18,984	-	5,822	-
Due from Other Funds	2	-	36	1
Due from Component Units	-	-	-	-
Other Current Assets	186	-	26	-
Total Current Assets	<u>21,959</u>	<u>-</u>	<u>8,438</u>	<u>3</u>
Noncurrent Assets				
Capital Assets - Net of Depreciation	1	-	1,106	-
Total Noncurrent Assets	<u>1</u>	<u>-</u>	<u>1,106</u>	<u>-</u>
Total Assets	<u>21,960</u>	<u>-</u>	<u>9,544</u>	<u>3</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	244	-	414	-
Accrued Payroll	50	-	728	-
Due to Other Funds	6,332	1	50	1
Current Portion of Long-Term Obligations:				
Compensated Absences	7	-	5	-
Deferred Revenue	301	12,500	-	-
Other Accrued Liabilities	14,408	-	757	-
Total Current Liabilities	<u>21,342</u>	<u>12,501</u>	<u>1,954</u>	<u>1</u>
Long-Term Liabilities:				
Deferred Revenue	-	37,500	-	-
Compensated Absences	99	-	76	-
Total Long-Term Liabilities	<u>99</u>	<u>37,500</u>	<u>76</u>	<u>-</u>
Total Liabilities	<u>21,441</u>	<u>50,001</u>	<u>2,030</u>	<u>1</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1	-	1,106	-
Restricted for:				
Unrestricted	<u>518</u>	<u>(50,001)</u>	<u>6,408</u>	<u>2</u>
Total Net Assets	<u>\$ 519</u>	<u>\$ (50,001)</u>	<u>\$ 7,514</u>	<u>\$ 2</u>

						<b>Totals</b>	
<b>Marine Ports</b>	<b>Ferry Service</b>	<b>Prison Industries</b>	<b>Dirigo Health</b>	<b>Transit, Aviation, &amp; Rail Transportation</b>	<b>Consolidated Emergency Communications Fund</b>	<b>Other Enterprise Funds</b>	
\$ 91	\$ 1,679	\$ 156	\$ 1,638	\$ 3,724	\$ 996	\$ 11,226	
-	3	3	-	-	-	756	
-	309	501	-	-	-	2,461	
-	122	22	2,147	259	35	27,391	
-	8	24	13	-	417	501	
173	-	-	-	-	-	173	
-	-	-	2,284	-	-	2,496	
264	2,121	706	6,082	3,983	1,448	45,004	
16,049	31,486	-	-	48,993	-	97,635	
16,049	31,486	-	-	48,993	-	97,635	
16,313	33,607	706	6,082	52,976	1,448	142,639	
-	249	6	4,353	289	7	5,562	
-	273	9	30	9	508	1,607	
-	35	39	1,708	13	44	8,223	
-	22	-	5	-	14	53	
-	-	-	-	-	-	12,801	
-	-	-	-	-	-	15,165	
-	579	54	6,096	311	573	43,411	
-	-	-	-	-	-	37,500	
-	306	6	70	-	198	755	
-	306	6	70	-	198	38,255	
-	885	60	6,166	311	771	81,666	
16,049	31,486	-	-	48,993	-	97,635	
264	1,236	646	(84)	3,672	677	(36,662)	
\$ 16,313	\$ 32,722	\$ 646	\$ (84)	\$ 52,665	\$ 677	\$ 60,973	

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 219,856	\$ 28	\$ 49,597	\$ 95
Assessments	-	-	-	-
Miscellaneous Revenues	87	-	2	-
Total Operating Revenues	<u>219,943</u>	<u>28</u>	<u>49,599</u>	<u>95</u>
<b>Operating Expenses</b>				
General Operations	166,719	1	44,857	417
Depreciation	2	-	147	267
Total Operating Expenses	<u>166,721</u>	<u>1</u>	<u>45,004</u>	<u>684</u>
Operating Income (Loss)	<u>53,222</u>	<u>27</u>	<u>4,595</u>	<u>(589)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Other Nonoperating Revenues (Expenses)- net	23	12,500	(112)	(474)
Total Nonoperating Revenues (Expenses)	<u>23</u>	<u>12,500</u>	<u>(112)</u>	<u>(474)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>53,245</u>	<u>12,527</u>	<u>4,483</u>	<u>(1,063)</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from Other Funds	-	-	-	-
Transfers from Other Funds	13	-	1,891	274
Transfers to Other Funds	(52,871)	(28)	-	-
Special Items	-	-	-	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(52,858)</u>	<u>(28)</u>	<u>1,891</u>	<u>274</u>
Change in Net Assets	387	12,499	6,374	(789)
Total Net Assets - Beginning of Year	<u>132</u>	<u>(62,500)</u>	<u>1,140</u>	<u>791</u>
Total Net Assets - End of Year	<u>\$ 519</u>	<u>\$ (50,001)</u>	<u>\$ 7,514</u>	<u>\$ 2</u>



						Totals
Marine Ports	Ferry Service	Prison	Dirigo Health	Transit, Aviation, & Rail Transportation	Consolidated Emergency Communications Fund	Other Enterprise Funds
\$ 46	\$ 4,940	\$ 1,367	\$ 65,609	\$ 259	\$ 6,090	\$ 347,887
-	-	-	-	1,435	-	1,435
-	-	-	-	-	-	89
46	4,940	1,367	65,609	1,694	6,090	349,411
23	9,230	1,261	50,952	4,549	6,450	284,459
1,331	2,152	-	-	3,624	-	7,523
1,354	11,382	1,261	50,952	8,173	6,450	291,982
(1,308)	(6,442)	106	14,657	(6,479)	(360)	57,429
1	11	1	-	235	-	12,185
1	11	1	-	235	-	12,185
(1,307)	(6,431)	107	14,657	(6,244)	(360)	69,614
-	4,523	-	-	4,350	-	8,873
-	5,042	-	213	3,146	426	11,005
-	-	(72)	(4,096)	-	(2)	(57,069)
-	-	-	-	-	-	-
-	9,565	(72)	(3,883)	7,496	424	(37,191)
(1,307)	3,134	35	10,774	1,252	64	32,423
17,620	29,588	611	(10,858)	51,413	613	28,550
\$ 16,313	\$ 32,722	\$ 646	\$ (84)	\$ 52,665	\$ 677	\$ 60,973

**STATE OF MAINE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**

June 30, 2010  
(Expressed in Thousands)

	<b>Lottery</b>	<b>Alcoholic Beverages</b>	<b>Maine Military Authority</b>	<b>Seed Potato</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 220,090	\$ 29	\$ 46,759	\$ 185
Other Operating Cash Receipts (Payments)				
Payments to Prize Winners	(134,817)	-	-	-
Payments to Suppliers	(28,799)	(1)	(24,212)	(357)
Payments to Employees	(1,602)	-	(23,346)	(247)
Net Cash Provided (Used) by Operating Activities	54,872	28	(799)	(419)
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers in	13	-	1,891	274
Operating Transfers out	(52,871)	(28)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(52,858)	(28)	1,891	274
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(156)	-	(77)	464
Proceeds from Sale of Capital Assets	156	-	(109)	(475)
Net Cash Provided (Used) by Capital Financing Activities	-	-	(186)	(11)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	23	-	(3)	1
Net Cash Provided (Used) by Investing Activities	23	-	(3)	1
Net Increase (Decrease) in Cash/Cash Equivalents	2,037	-	903	(155)
Cash/Cash Equivalents - Beginning of Year	750	-	-	157
Cash/Cash Equivalents - End of Year	\$ 2,787	\$ -	\$ 903	\$ 2
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 53,222	\$ 27	\$ 4,595	\$ (589)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	2	-	147	267
Decrease (Increase) in Assets & Liabilities:				
Accounts Receivable	147	-	(3,070)	90
Interfund Balances	1,509	1	(368)	(12)
Inventories	-	-	934	1
Increase (Decrease) in Liabilities				
Accounts Payable	(905)	-	(1,125)	(6)
Accrued Payroll Expenses	(30)	-	(453)	(21)
Change in Compensated Absences	(4)	-	-	(29)
Other Accruals	931	-	(1,459)	(120)
Total Adjustments	1,650	1	(5,394)	170
Net Cash Provided (Used) by Operating Activities	\$ 54,872	\$ 28	\$ (799)	\$ (419)
<b>Non Cash Investing, Capital and Financing Activities</b>				
Contributed Capital Assets	-	-	-	-
Decrease of deferred revenue from the sale of liquor operations	-	12,500	-	-

Marine Ports	Ferry Service	Prison Industries	Dirigo Health	Transit, Aviation, & Rail Transportation	Consolidated Emergency Communications	Totals Other Enterprise Funds
\$ 9	\$ 4,938	\$ 1,384	\$ 71,436	\$ 2,021	\$ 6,117	\$ 352,968
-	-	-	-	-	-	(134,817)
(23)	(3,579)	(1,103)	(65,461)	(4,136)	(972)	(128,643)
-	(5,445)	(131)	(1,284)	(187)	(5,426)	(37,668)
(14)	(4,086)	150	4,691	(2,302)	(281)	51,840
-	5,042	-	213	3,146	426	11,005
-	-	(72)	(4,096)	-	(2)	(57,069)
-	5,042	(72)	(3,883)	3,146	424	(46,064)
-	(4)	(2)	-	(422)	-	(197)
-	-	-	-	421	-	(7)
-	(4)	(2)	-	(1)	-	(204)
1	11	1	-	235	-	269
1	11	1	-	235	-	269
(13)	963	77	808	1,078	143	5,841
104	719	82	830	2,646	853	6,141
<u>\$ 91</u>	<u>\$ 1,682</u>	<u>\$ 159</u>	<u>\$ 1,638</u>	<u>\$ 3,724</u>	<u>\$ 996</u>	<u>\$ 11,982</u>
\$ (1,308)	\$ (6,442)	\$ 106	\$ 14,657	\$ (6,479)	\$ (360)	\$ 57,429
1,331	2,152	-	-	3,624	-	7,523
(37)	(1)	16	5,827	327	27	3,326
-	26	26	(18,489)	(19)	(332)	(17,658)
-	(21)	(12)	-	-	-	902
-	-	-	-	-	-	-
-	125	4	1,698	253	6	50
-	(100)	(3)	(27)	1	260	(373)
-	-	6	(5)	(12)	(28)	(72)
-	175	7	1,030	3	146	713
1,294	2,356	44	(9,966)	4,177	79	(5,589)
<u>\$ (14)</u>	<u>\$ (4,086)</u>	<u>\$ 150</u>	<u>\$ 4,691</u>	<u>\$ (2,302)</u>	<u>\$ (281)</u>	<u>\$ 51,840</u>
-	4,523	-	-	4,350	-	8,873
-	-	-	-	-	-	12,500



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# INTERNAL SERVICE FUNDS

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Motor Transport Service Fund – This fund accounts for all the equipment and vehicle operations of the Department of Transportation.

Postal, Printing and Supply Fund – This fund accounts for the purchase of general office supplies, materials and photocopiers required by any State department or agency, the purchase of and contract for all postal and mailing services, duplicating needs, and the acquisition and disposition of State and federal surplus property. This fund is also used to administer the State's Procurement Card Program.

Information Services Fund – This fund accounts for the costs of providing information services in data processing and telecommunications and for coordinating data processing services including computer operations, programming and applications systems development, technical support and networking services.

Risk Management Fund – This fund accounts for resources generated and used to provide insurance advice and services for all forms of insurance except health and workers' compensation. This includes insurance for automobile, fire, liability and any other type of coverage that may be necessary to protect the State against financial loss.

Workers' Compensation Fund – This fund accounts for resources generated and used to provide workers' compensation advice and insurance services.

Central Fleet Management Fund – This fund accounts for the cost of administering a uniform program for the operation and maintenance of all State vehicles except those of the Department of Transportation and Public Safety.

Leased Space Fund – This fund accounts for State facilities leasing activities and maintains records of State agency property, leasing needs and all available space owned, leased and potentially available for lease.

Revenue Services Fund – This fund accounts for the resources generated and used to provide up-to-date information to facilitate compliance with Maine tax law and to help reduce common mistakes in filing tax forms.

Retiree Health Insurance Fund – This fund accounts for post retirement health care premiums and benefits for most retired state employees and Legislators, for a portion of the premiums for teachers, and for a portion of the premiums for county and municipal law enforcement officers and firefighters (First Responders).

Employee Health Insurance Fund – This fund accounts for health care premiums and benefits for most state employees.

Statewide Radio & Network System Fund – This fund accounts for resources generated and used to acquire, expand, upgrade and replace a statewide radio and network system for use by State agencies.

Financial & Personnel Services Fund – This fund accounts for centralized services provided by the Department of Administrative and Financial Services. Services provided include personnel administration, employee relations, budget management, general administration, and accounting.

Transportation Facilities Fund – This fund accounts for the purchase, operation, maintenance, improvement, repair, construction, and management of buildings owned by the Department of Transportation.

Governmental Facilities Authority Fund – This fund includes the operations of the Maine Governmental Facilities Authority, a blended component unit. The Authority was created to assist in the financing, equipping, improvement, reconstruction, acquisition, and construction of additions to structures designed for use as a court facility, State office or State activity space.

# STATE OF MAINE

## COMBINING STATEMENT OF NET ASSETS

### INTERNAL SERVICE FUNDS

June 30, 2010  
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 1,891	\$ -	\$ -	\$ 22,323
Cash and Short-Term Investments	1	1	-	-
Cash with Fiscal Agent	272	-	9,292	-
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	2,899	661	17	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	439	183	294	155
Due from Other Funds	342	1,248	18,395	208
Other Current Assets	-	69	13	398
Total Current Assets	<u>5,844</u>	<u>2,162</u>	<u>28,011</u>	<u>23,084</u>
Noncurrent Assets:				
Capital Assets - Net of Depreciation	54,618	7	22,752	-
Total Noncurrent Assets	<u>54,618</u>	<u>7</u>	<u>22,752</u>	<u>-</u>
Total Assets	<u>60,462</u>	<u>2,169</u>	<u>50,763</u>	<u>23,084</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	192	1,144	5,113	12
Accrued Payroll	521	65	1,209	11
Due to Other Governments	-	-	-	-
Due to Other Funds	131	3,078	451	46
Due to Component Units	-	-	-	-
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	1,642	-	3,797	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	31	6	173	1
Deferred Revenue	-	-	-	466
Other Accrued Liabilities	40	-	205	-
Total Current Liabilities	<u>2,557</u>	<u>4,293</u>	<u>10,948</u>	<u>536</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Deferred Revenue	-	-	-	-
Certificates of Participation and Other Financing Arrangements	2,112	-	15,220	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	3,872
Compensated Absences	427	79	2,384	20
Total Long-Term Liabilities	<u>2,539</u>	<u>190</u>	<u>17,604</u>	<u>3,892</u>
Total Liabilities	<u>5,096</u>	<u>4,483</u>	<u>28,552</u>	<u>4,428</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	50,864	7	13,784	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	4,502	(2,321)	8,427	18,656
Total Net Assets	<u>\$ 55,366</u>	<u>\$ (2,314)</u>	<u>\$ 22,211</u>	<u>\$ 18,656</u>

Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Statewide Radio & Network System
\$ 32,895	\$ -	\$ 315	\$ 104	\$ 44,805	\$ 56,554	\$ -
-	1	-	-	-	-	-
-	3,145	-	-	-	-	2,115
-	-	-	-	-	-	-
-	41	-	-	-	-	-
(1)	18	-	-	289	866	-
703	1,161	103	-	-	1	-
425	-	-	-	-	-	-
34,022	4,366	418	104	45,094	57,421	2,115
-	13,518	29,162	-	-	-	10,372
-	13,518	29,162	-	-	-	10,372
34,022	17,884	29,580	104	45,094	57,421	12,487
1,182	151	127	-	1,287	13,509	-
49	27	7	-	-	24	-
-	-	-	-	11,728	-	-
56	1,657	6	-	-	1,228	217
-	-	-	-	3,505	-	-
-	4,091	-	-	-	-	1,449
-	-	6,090	-	-	-	-
7,945	-	-	-	3,778	11,965	-
2	4	1	-	-	2	-
-	-	-	-	-	-	-
-	46	-	-	-	-	102
9,234	5,976	6,231	-	20,298	26,728	1,768
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,423	-	-	-	-	3,096
-	-	27,239	-	-	-	-
30,728	-	-	-	-	-	-
28	50	21	-	-	35	-
30,756	6,473	27,260	-	-	35	3,096
39,990	12,449	33,491	-	20,298	26,763	4,864
-	3,004	(4,167)	-	-	-	5,827
307	-	-	-	-	-	1,796
(6,275)	2,431	256	104	24,796	30,658	-
\$ (5,968)	\$ 5,435	\$ (3,911)	\$ 104	\$ 24,796	\$ 30,658	\$ 7,623

(continued)

**STATE OF MAINE**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS (Continued)**

June 30, 2010  
(Expressed in Thousands)

				<b>Totals</b>
	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities Fund</b>	<b>Governmental Facilities Authority</b>	<b>Internal Service Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 3,772	\$ 1,684	\$ -	\$ 164,343
Cash and Short-Term Investments	-	-	-	3
Cash with Fiscal Agent	-	-	-	14,824
Restricted Assets:				
Restricted Deposits and Investments	-	-	3,325	3,325
Inventories	-	-	-	3,618
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	-	-	75	2,318
Due from Other Funds	234	-	-	22,395
Other Current Assets	2	-	-	907
Total Current Assets	<u>4,008</u>	<u>1,684</u>	<u>3,400</u>	<u>211,733</u>
Noncurrent Assets:				
Capital Assets - Net of Depreciation	-	21,530	-	151,959
Total Noncurrent Assets	<u>-</u>	<u>21,530</u>	<u>-</u>	<u>151,959</u>
Total Assets	<u>4,008</u>	<u>23,214</u>	<u>3,400</u>	<u>363,692</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	21	7	7	22,752
Accrued Payroll	536	-	-	2,449
Due to Other Governments	-	-	213	11,941
Due to Other Funds	237	1	-	7,108
Due to Component Units	-	-	-	3,505
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	10,979
Obligations Under Capital Leases	-	-	-	6,090
Claims Payable	-	-	-	23,688
Compensated Absences	68	-	-	288
Deferred Revenue	-	-	108	574
Other Accrued Liabilities	-	-	-	393
Total Current Liabilities	<u>862</u>	<u>8</u>	<u>328</u>	<u>89,767</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	-	804	804
Certificates of Participation and Other Financing Arrangements	-	-	-	26,851
Obligations Under Capital Leases	-	-	-	27,239
Claims Payable	-	-	-	34,600
Compensated Absences	945	-	-	3,989
Total Long-Term Liabilities	<u>945</u>	<u>-</u>	<u>804</u>	<u>93,594</u>
Total Liabilities	<u>1,807</u>	<u>8</u>	<u>1,132</u>	<u>183,361</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	21,530	-	90,849
Restricted for:				
Other Purposes	-	-	14	2,117
Unrestricted	<u>2,201</u>	<u>1,676</u>	<u>2,254</u>	<u>87,365</u>
Total Net Assets	<u>\$ 2,201</u>	<u>\$ 23,206</u>	<u>\$ 2,268</u>	<u>\$ 180,331</u>





**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<b>Motor Transport Service</b>	<b>Postal Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 31,778	\$ 43,755	\$ 97,361	\$ 5,006
Assessments	-	-	-	-
Miscellaneous Revenues	-	-	76	-
Total Operating Revenues	31,778	43,755	97,437	5,006
<b>Operating Expenses</b>				
General Operations	23,666	44,768	88,730	4,207
Depreciation	6,124	-	3,811	-
Claims/Fees Expense	-	-	-	715
Other Operating Expenses	-	-	-	-
Total Operating Expenses	29,790	44,768	92,541	4,922
Operating Income (Loss)	1,988	(1,013)	4,896	84
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	13	(27)	(67)	130
Interest Expense	(89)	-	(528)	-
Other Nonoperating Revenues (Expenses)- net	-	-	(395)	-
Total Nonoperating Revenues (Expenses)	(76)	(27)	(990)	130
Income (Loss) Before Capital Contributions, Transfers and Special Items	1,912	(1,040)	3,906	214
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from Other Funds	658	-	1,076	-
Transfers from (to) Other Funds	925	185	1,025	33
Special Items	-	-	3,557	-
Total Capital Contributions, Transfers In (Out) and Special Items	1,583	185	5,658	33
Change in Net Assets	3,495	(855)	9,564	247
Total Net Assets - Beginning of Year	51,871	(1,459)	12,647	18,409
Total Net Assets - End of Year	\$ 55,366	\$ (2,314)	\$ 22,211	\$ 18,656

<b>Workers' Compensation</b>	<b>Central Fleet Management</b>	<b>Leased Spaces</b>	<b>Revenue Services</b>	<b>Retiree Health Insurance</b>	<b>Employee Health Insurance</b>	<b>Statewide Radio &amp; Network Systems</b>
\$ 16,516	\$ 10,213	\$ 24,779	\$ 269	\$ 67,949	\$ 150,288	\$ -
-	-	-	-	-	-	-
487	-	-	-	-	-	217
17,003	10,213	24,779	269	67,949	150,288	217
8,551	6,271	13,161	-	17,618	146,031	220
-	2,854	4,515	-	-	-	-
8,962	-	-	-	-	-	-
-	-	-	-	-	-	-
17,513	9,125	17,676	-	17,618	146,031	220
(510)	1,088	7,103	269	50,331	4,257	(3)
218	(5)	9	1	470	321	-
-	(293)	(6,840)	-	-	-	-
-	(268)	-	-	-	-	-
218	(566)	(6,831)	1	470	321	-
(292)	522	272	270	50,801	4,578	(3)
-	-	-	-	-	-	-
(4,244)	77	22	(340)	2,750	(12)	1,653
-	-	-	-	(78,400)	-	-
(4,244)	77	22	(340)	(75,650)	(12)	1,653
(4,536)	599	294	(70)	(24,849)	4,566	1,650
(1,432)	4,836	(4,205)	174	49,645	26,092	5,973
\$ (5,968)	\$ 5,435	\$ (3,911)	\$ 104	\$ 24,796	\$ 30,658	\$ 7,623

(continued)

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS (Continued)**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Totals Internal Service Funds
<b>Operating Revenues</b>				
Charges for Services	\$ 21,745	\$ 2,097	\$ 621	\$ 472,377
Assessments	-	-	-	-
Miscellaneous Revenues	-	-	244	1,024
Total Operating Revenues	21,745	2,097	865	473,401
<b>Operating Expenses</b>				
General Operations	20,423	-	219	373,865
Depreciation	-	-	-	17,304
Claims/Fees Expense	-	-	-	9,677
Other Operating Expenses	-	-	372	372
Total Operating Expenses	20,423	-	591	401,218
Operating Income (Loss)	1,322	2,097	274	72,183
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	-	10	32	1,105
Interest Expense	-	-	-	(7,750)
Other Nonoperating Revenues (Expenses)- net	-	204	-	(459)
Total Nonoperating Revenues (Expenses)	-	214	32	(7,104)
Income (Loss) Before Capital Contributions, Transfers and Special Items	1,322	2,311	306	65,079
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from Other Funds	-	2,733	-	4,467
Transfers from (to) Other Funds	1,675	-	-	3,749
Special Items	-	-	-	(74,843)
Total Capital Contributions, Transfers In (Out) and Special Items	1,675	2,733	-	(66,627)
Change in Net Assets	2,997	5,044	306	(1,548)
Total Net Assets - Beginning of Year	(796)	18,162	1,962	181,879
Total Net Assets - End of Year	\$ 2,201	\$ 23,206	\$ 2,268	\$ 180,331



**STATE OF MAINE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

June 30, 2010  
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 32,157	\$ 46,121	\$ 97,563	\$ 4,596
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(13,020)	(44,127)	(55,004)	(4,158)
Payments to Employees	(11,121)	(2,145)	(40,972)	(392)
Net Cash Provided (Used) by Operating Activities	8,016	(151)	1,587	46
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers In	925	185	1,025	33
Operating Transfers Out	-	-	-	-
Special Items - Return of Equity	-	-	3,557	-
Net Cash Provided (Used) by Noncapital Financing Activities	925	185	4,582	33
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(10,946)	(7)	(6,012)	-
Proceeds From Financing Arrangements	2,770	-	10,000	-
Principal and Interest Paid on Financing Arrangements	(1,411)	-	(6,559)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	(9,587)	(7)	(2,571)	-
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	13	(27)	(67)	130
Net Cash Provided (Used) by Investing Activities	13	(27)	(67)	130
Net Increase (Decrease) in Cash/Cash Equivalents	(633)	-	3,531	209
Cash/Cash Equivalents - Beginning of Year	2,797	1	5,761	22,114
Cash/Cash Equivalents - End of Year	\$ 2,164	\$ 1	\$ 9,292	\$ 22,323
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 1,988	\$ (1,013)	\$ 4,896	\$ 84
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	6,124	-	3,811	-
Decrease (Increase) in Assets				
Accounts Receivable	(21)	(153)	40	(154)
Interfund Balances	(135)	2,001	(7,937)	(228)
Inventories	398	59	-	-
Other Assets	-	-	-	-
Increase (Decrease) in Liabilities				
Accounts Payable	(59)	(983)	1,452	(54)
Accrued Payroll Expenses	(268)	(37)	(838)	(8)
Due to Other Governments	-	-	-	-
Change in Compensated Absences	(24)	(6)	145	(6)
Other Accruals	13	(19)	18	412
Total Adjustments	6,028	862	(3,309)	(38)
Net Cash Provided (Used) by Operating Activities	\$ 8,016	\$ (151)	\$ 1,587	\$ 46
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	-
Contributed Capital Assets	658	-	1,076	-

<u>Workers'</u> <u>Compensation</u>	<u>Central Fleet</u> <u>Management</u>	<u>Leased</u> <u>Space</u>	<u>Revenue</u> <u>Services</u>	<u>Retiree</u> <u>Health</u> <u>Insurance</u>	<u>Employee</u> <u>Health</u> <u>Insurance</u>	<u>Statewide</u> <u>Radio &amp;</u> <u>Network</u> <u>System</u>
\$ 16,606	\$ 9,934	\$ 24,754	\$ 277	\$ 67,660	\$ 149,430	\$ 217
(16,450)	(5,104)	(12,947)	-	(18,649)	(139,763)	(256)
(1,107)	(949)	(245)	-	-	(907)	-
(951)	3,881	11,562	277	49,011	8,760	(39)
81	77	22	-	8,497	74	1,653
(4,325)	-	-	(340)	(5,747)	(86)	-
-	-	-	-	(78,400)	-	-
(4,244)	77	22	(340)	(75,650)	(12)	1,653
-	(4,765)	-	-	-	-	(2,803)
-	4,700	-	-	-	-	-
-	(4,194)	(11,482)	-	-	-	(1,388)
-	-	-	-	-	-	-
-	(4,259)	(11,482)	-	-	-	(4,191)
218	(5)	9	1	470	321	-
218	(5)	9	1	470	321	-
(4,977)	(306)	111	(62)	(26,169)	9,069	(2,577)
37,872	3,452	204	166	70,974	47,485	4,692
\$ 32,895	\$ 3,146	\$ 315	\$ 104	\$ 44,805	\$ 56,554	\$ 2,115
\$ (510)	\$ 1,088	\$ 7,103	\$ 269	\$ 50,331	\$ 4,257	\$ (3)
-	2,854	4,515	-	-	-	-
1	(2)	1	-	(289)	(866)	-
43	(63)	(31)	8	(1)	(77)	-
-	(6)	-	-	-	-	-
-	-	-	-	-	-	-
(83)	42	(13)	-	(1,080)	5,903	-
3	(17)	(6)	-	-	(18)	-
-	-	-	-	11,728	-	-
(7)	1	(7)	-	-	(7)	-
(317)	(16)	-	-	(11,678)	(432)	(36)
(360)	2,793	4,459	8	(1,320)	4,503	(36)
\$ (870)	\$ 3,881	\$ 11,562	\$ 277	\$ 49,011	\$ 8,760	\$ (39)
-	-	337	-	-	-	-
-	-	-	-	-	-	-

(continued)

**STATE OF MAINE**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**INTERNAL SERVICE FUNDS**

June 30, 2009  
(Expressed in Thousands)

	Financial and Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Totals Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 21,593	\$ 2,097	\$ 195,998	\$ 669,003
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(1,819)	(12)	(2,823)	(314,132)
Payments to Employees	(18,909)	-	-	(76,747)
Net Cash Provided (Used) by Operating Activities	865	2,085	193,175	278,124
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers In	1,675	-	-	14,247
Operating Transfers Out	-	-	-	(10,498)
Special Items - Return of Excess Equity	-	-	-	(74,843)
Net Cash Provided (Used) by Noncapital Financing Activities	1,675	-	-	(71,094)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	(2,546)	-	(27,079)
Proceeds From Financing Arrangements	-	-	10,985	28,455
Principal and Interest Paid on Financing Arrangements	-	-	(203,920)	(228,954)
	-	204	-	204
Net Cash Provided (Used) by Capital Financing Activities	-	(2,342)	(192,935)	(227,374)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	-	10	32	1,105
Net Cash Provided (Used) by Investing Activities	-	10	32	1,105
Net Increase (Decrease) in Cash/Cash Equivalents	2,540	(247)	272	(19,239)
Cash/Cash Equivalents - Beginning of Year	1,232	1,931	3,053	201,734
Cash/Cash Equivalents - End of Year	\$ 3,772	\$ 1,684	\$ 3,325	\$ 182,495
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 1,322	\$ 2,097	\$ 274	\$ 72,183
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	-	-	-	17,304
Decrease (Increase) in Assets				
Accounts Receivable	-	-	195,126	193,683
Interfund Balances	(4)	-	(183)	(6,607)
Inventories	-	-	-	451
Other Assets	(2)	-	-	(2)
Increase (Decrease) in Liabilities				
Accounts Payable	6	(11)	(1)	5,119
Accrued Payroll Expenses	(423)	-	-	(1,612)
Due to Other Governments	-	-	213	11,941
Change in Compensated Absences	(34)	-	-	55
Other Accruals	-	(1)	(2,254)	(14,310)
Total Adjustments	(457)	(12)	192,901	206,022
Net Cash Provided (Used) by Operating Activities	\$ 865	\$ 2,085	\$ 193,175	\$ 278,205
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	337
Contributed Capital Assets	-	2,733	-	4,467



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# FIDUCIARY FUNDS

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## **Pension (and Other Employee Benefit) Trusts**

This fund accounts for all of the trust activity occurring in the employees defined benefit pension plan, healthcare and group life insurance other post-

employment benefit trusts and defined contribution plans.

## **Private Purpose Trust Funds**

Abandoned Property Fund - This fund accounts for unclaimed property receipts. All holders of property presumed abandoned must report these properties to the Treasurer annually. The Treasurer will honor claims indefinitely.

Revenue on Private Purpose Trusts Fund – This fund accounts for expendable earnings on private purpose trust fund balances.

Lands Reserved Trust Funds – These funds were established to account for revenue derived from the sale of timber from public lands and from appreciation on investments. The income is to be used for school purposes by townships when they become organized towns or plantations.

Permanent School Fund – This fund is comprised of numerous small private purpose trusts, the income from which may be used for specified purposes.

NextGen College Investing Plan – is the Maine College Savings Program. The program was established under Chapter 417-E of Title 20-A, to encourage the investment of funds to be used for Qualified Higher Education Expenses at institutions of higher education. The plan consists of the investments made by participants in the State's Qualified State Tuition Program under Section 529 of the Internal Revenue Code.

Energy and Carbon Savings Trust Fund – This fund was established to support the goals and implementation of the carbon dioxide cap-and-trade program.

## **Agency Funds**

Payroll Withholding Fund – This fund accounts for all payroll taxes and deductions withheld to pay the federal government, other State agencies, and payroll vendors.

Private Trusts Fund – This fund is used to account for assets held by the State acting as an agent for patients of State mental health facilities, inmates at State correctional institutions, recipients of State-supported elder and adult services, and child support enforcement services. Also included in this fund are insurance company and unemployment guaranty deposits, and assets held in Courts and Corrections restitution escrow accounts.

Other Agency Funds – These funds account for numerous small agency funds which have been combined for financial reporting purposes.

Treasurer's Agency Fund – This fund accounts for deposits of quasi-governmental units placed in the Treasurer's Cash Pool for investment purposes.

**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUSTS**

June 30, 2010  
(Expressed in Thousands)

	Defined Benefit Pension Plan	Healthcare OPEB	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
<b>Assets</b>					
Cash and Short-Term Investments	\$ 47,747	\$ -	\$ 2,326	\$ 70	\$ 50,143
Receivables, Net of Allowance for Uncollectibles:					
State and Local Agency Contributions	20,644	-	771	2	21,417
Interest and Dividends	7,179	-	-	-	7,179
Due from Brokers for Securities Sold	761,331	-	-	-	761,331
Investments at Fair Value:					
Debt Securities	366,840	-	-	-	366,840
Equity Securities	2,743,880	-	-	-	2,743,880
Common/Collective Trusts	5,698,371	95,381	55,640	10,360	5,859,752
Foreign Government and Agencies	41,206				41,206
Other	1,409	-	-	-	1,409
Securities Lending Collateral	381,545	-	-	-	381,545
Capital Assets - Net of Depreciation	10,547	-	253	-	10,800
Total Assets	<u>10,080,699</u>	<u>95,381</u>	<u>58,990</u>	<u>10,432</u>	<u>10,245,502</u>
<b>Liabilities</b>					
Accounts Payable	6,249	-	19	-	6,268
Due to Brokers for Securities Purchased	612,381	-	-	-	612,381
Obligations Under Securities Lending	381,545	-	-	-	381,545
Other Accrued Liabilities	11,051	72	8,200	22	19,345
Total Liabilities	<u>1,011,226</u>	<u>72</u>	<u>8,219</u>	<u>22</u>	<u>1,019,539</u>
<b>Net Assets</b>					
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>9,069,473</u>	<u>95,309</u>	<u>50,771</u>	<u>10,410</u>	<u>9,225,963</u>
Total Net Assets	<u>\$ 9,069,473</u>	<u>\$ 95,309</u>	<u>\$ 50,771</u>	<u>\$ 10,410</u>	<u>\$ 9,225,963</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUSTS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Defined Benefit Pension Plan	Healthcare OPEB	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
Additions:					
Contributions:					
Members	\$ 158,963	\$ -	\$ 4,578	\$ 2,382	\$ 165,923
State and Local Agencies	342,000	53,046	6,825	54	401,925
Investment Income (Loss):					
Net Increase (Decrease) in the Fair Value of Investments	857,646	13,174	5,538	787	877,145
Interest and Dividends	104,968	-	7	1	104,976
Securities Lending Income	919				919
Less Investment Expense:					
Investment Activity Expense	21,920	30	23	46	22,019
Securities Lending Expense	(562)	-	-	-	(562)
Net Investment Income (Loss)	942,175	13,144	5,522	742	961,583
Total Additions	1,443,138	66,190	16,925	3,178	1,529,431
Deductions:					
Benefits Paid to Participants or Beneficiaries	650,835	53,046	8,555	-	712,436
Refunds and Withdrawals	23,096	-	26	411	23,533
Claims Processing Expenses	-	-	803	-	803
Administrative Expenses	9,480	57	250	57	9,844
Total Deductions	683,411	53,103	9,634	468	746,616
Net Increase (Decrease)	759,727	13,087	7,291	2,710	782,815
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:					
Beginning of Year	8,309,746	82,222	43,480	7,700	8,443,148
End of Year	\$ 9,069,473	\$ 95,309	\$ 50,771	\$ 10,410	\$ 9,225,963

**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**

June 30, 2010  
(Expressed in Thousands)

							Totals
	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	Energy & Carbon Savings Trust	NextGen College Investing Plan	Private Purpose Trusts
<b>Assets</b>							
Equity in Treasurer's Cash Pool	\$ 500	\$ 44	\$ 836	\$ -	\$ -	\$ -	\$ 1,380
Investments at Fair Value:							
Other	-	17	7,519	2,291	-	-	9,827
Investments Held on Behalf of Others	-	-	-	-	-	4,813,182	4,813,182
Receivables, Net of Allowance for Uncollectibles:							
Interest and Dividends	-	-	-	-	-	3,598	3,598
Due from Brokers for Securities Sold	-	-	-	-	-	6,469	6,469
Due from Other Funds	35,592	-	-	-	-	-	35,592
Other Assets	4,668	-	-	-	-	-	4,668
Total Assets	<u>40,760</u>	<u>61</u>	<u>8,355</u>	<u>2,291</u>	<u>-</u>	<u>4,823,249</u>	<u>4,874,716</u>
<b>Liabilities</b>							
Accounts Payable	31	-	-	-	-	3,276	3,307
Due to Brokers for Securities Purchased	-	-	-	-	-	6,625	6,625
Due to Other Funds	9	-	-	-	-	-	9
Total Liabilities	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,901</u>	<u>9,941</u>
<b>Net Assets</b>							
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	40,720	61	8,355	2,291	-	4,813,348	4,864,775
Total Net Assets	<u>\$ 40,720</u>	<u>\$ 61</u>	<u>\$ 8,355</u>	<u>\$ 2,291</u>	<u>\$ -</u>	<u>\$ 4,813,348</u>	<u>\$4,864,775</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<b>Abandoned Property</b>	<b>Revenue on Private Purpose Trusts</b>	<b>Lands Reserved</b>	<b>Permanent School</b>	<b>Energy &amp; Carbon Savings Trust</b>	<b>NextGen College Investing Plan</b>	<b>Totals  Private Purpose Trusts</b>
<b>Additions:</b>							
Contributions:							
Members	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,707,707	\$ 1,707,707
Investment Income:							
Net Increase in the Fair Value of Investments	-	-	628	166	-	406,129	406,923
Capital Gains Distributions from Investments	-	-	-	-	-	447	447
Interest and Dividends	18	85	166	60	1	95,375	95,705
Net Investment Income	18	85	794	226	1	501,951	503,075
Miscellaneous Revenues	11,062	-	-	-	-	-	11,062
Transfers In	-	592	-	-	-	-	592
Total Additions	11,080	677	794	226	1	2,209,658	2,222,436
<b>Deductions:</b>							
Benefits Paid to Participants or Beneficiaries	-	54	81	4	-	1,564,198	1,564,337
Administrative Expenses	205	-	52	57	1	38,508	38,823
Transfers Out	-	636	-	-	680	-	1,316
Total Deductions	205	690	133	61	681	1,602,706	1,604,476
Net Increase (Decrease)	10,875	(13)	661	165	(680)	606,952	617,960
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:							
Beginning of Year	29,845	74	7,694	2,126	680	4,206,396	4,246,815
End of Year	<u>\$ 40,720</u>	<u>\$ 61</u>	<u>\$ 8,355</u>	<u>\$ 2,291</u>	<u>\$ -</u>	<u>\$ 4,813,348</u>	<u>\$ 4,864,775</u>



**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**

June 30, 2010  
(Expressed in Thousands)

					<u>Totals</u>
	<u>Payroll Withholding</u>	<u>Private Trusts</u>	<u>Other Agency</u>	<u>Treasurer's Agency</u>	<u>Agency Funds</u>
<b>Assets</b>					
Equity in Treasurer's Cash Pool	\$ 47	\$ 6,508	\$ 2,929	\$ -	\$ 9,484
Cash and Short-Term Investments	-	27	-	-	27
Restricted Deposits and Investments	-	-	11	-	11
Investments Held on Behalf of Others	-	59,190	1,262	-	60,452
Other Assets	-	503	-	-	503
Total Assets	<u>\$ 47</u>	<u>\$ 66,228</u>	<u>\$ 4,202</u>	<u>\$ -</u>	<u>\$ 70,477</u>
<b>Liabilities</b>					
Agency Liabilities	\$ -	\$ 66,228	\$ 4,199	\$ -	\$ 70,427
Due to Other Funds	-	-	3	-	3
Other Accrued Liabilities	47	-	-	-	47
Total Liabilities	<u>\$ 47</u>	<u>\$ 66,228</u>	<u>\$ 4,202</u>	<u>\$ -</u>	<u>\$ 70,477</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2009</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2010</u>
<b>Payroll Withholding</b>							
<b>Assets</b>							
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$	265,300	\$	265,253	\$	47
Other Assets	<u>3,506</u>				<u>3,506</u>		<u>-</u>
Total Assets	\$ <u>3,506</u>	\$	<u>265,300</u>	\$	<u>268,759</u>	\$	<u>47</u>
<b>Liabilities</b>							
Accounts Payable & Other Accrued Liabilities	\$ 9	\$	265,300	\$	265,262	\$	47
Due to Other Funds	<u>3,497</u>				<u>3,497</u>		<u>-</u>
Total Liabilities	\$ <u>3,506</u>	\$	<u>265,300</u>	\$	<u>268,759</u>	\$	<u>47</u>
<b>Private Trusts</b>							
<b>Assets</b>							
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 3,944	\$	9,751	\$	7,160	\$	6,535
Due From Other Funds	-		-		-		0
Other Assets	503		-		-		503
Investments Held on Behalf of Others	<u>64,624</u>		<u>1,241,461</u>		<u>1,246,895</u>		<u>59,190</u>
Total Assets	\$ <u>69,071</u>	\$	<u>1,251,212</u>	\$	<u>1,254,055</u>	\$	<u>66,228</u>
<b>Liabilities</b>							
Accounts Payable & Other Accrued Liabilities	\$ -	\$	538	\$	538	\$	-
Agency Liabilities	<u>69,071</u>		<u>1,250,766</u>		<u>1,253,609</u>		<u>66,228</u>
Total Liabilities	\$ <u>69,071</u>	\$	<u>1,251,304</u>	\$	<u>1,254,147</u>	\$	<u>66,228</u>



	Balance				Balance	
	July 1, 2009		Additions		Deductions	
					June 30, 2010	
Other Agency						
Assets						
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$	3,893	\$	10,488	\$	10,179
					\$	4,202
Total Assets	\$	3,893	\$	10,488	\$	10,179
					\$	4,202
Liabilities						
Accounts Payable & Other Accrued Liabilities	\$	5	\$	8,250	\$	8,252
Agency Liabilities		3,888		11,975		11,664
						4,199
Total Liabilities	\$	3,893	\$	20,225	\$	19,916
					\$	4,202
Treasurer's Agency						
Assets						
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$	-	\$	-	\$	-
					\$	-
Total Assets	\$	-	\$	-	\$	-
					\$	-
Liabilities						
Agency Liabilities	\$	-	\$	-	\$	-
					\$	-
Total Liabilities	\$	-	\$	-	\$	-
					\$	-
Totals - All Agency Funds						
Assets						
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$	7,837	\$	285,539	\$	282,592
Investments Held on Behalf of Others		64,624		1,241,461		1,246,895
Other Assets		4,009		0		3,506
						503
Total Assets	\$	76,470	\$	1,527,000	\$	1,532,993
					\$	70,477
Liabilities						
Accounts Payable & Other Accrued Liabilities	\$	14	\$	274,088	\$	274,052
Agency Liabilities		72,959		1,262,741		1,265,273
Due to Other Funds		3,497		-		3,497
						-
Total Liabilities	\$	76,470	\$	1,536,829	\$	1,542,822
					\$	70,477



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# NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

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Child Development Services System maintains a coordinated service delivery system for the provision of Childfind activities, early intervention services, and free, appropriate public education services for eligible children with disabilities.

ConnectMe Authority is responsible for stimulating investment in advanced communications technology infrastructure in unserved or underserved areas in the State.

Efficiency Maine Trust was established for the purpose of administering programs for energy efficiency and alternative energy resources to help individuals and businesses in Maine meet their energy needs at the lowest cost.

Loring Development Authority is responsible for the acquisition, development and management of the properties within the geographical area of the former Loring Air Force Base.

Maine Educational Center for the Deaf and Hard of Hearing (formerly Governor Baxter School for the Deaf) is a comprehensive educational organization that offers educational, residential, transitional, and outreach services to meet the needs of persons who are deaf or hard of hearing, their families, professionals, service providers, agencies and communities on a local, statewide, regional and national level.

Maine Educational Loan Authority was created to grant educational loans primarily using funds acquired through issuance of long-term bonds payable.

Maine Maritime Academy is a college specializing in ocean and marine programs at the undergraduate and graduate levels. The operation of the Academy is subject to review by the federal government.

Maine Port Authority is responsible for acquiring, financing, constructing and operating port and railroad facilities within the State, to improve the global competitiveness of Maine businesses.

Maine Technology Institute was established to encourage, promote, stimulate and support research and development activity.

Midcoast Regional Redevelopment Authority is responsible for acquiring and managing Naval Air Station Brunswick properties in both Brunswick and Thopsham and implement the Reuse Master Plans for each.

Northern New England Passenger Rail Authority initiates, establishes and maintains regularly scheduled passenger rail service between points within Maine to points within and outside of Maine.

Small Enterprise Growth Fund is used to provide capital to small Maine businesses that show potential for high growth and public benefit but are unable to obtain adequate conventional financing from financial institutions.

**STATE OF MAINE**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR COMPONENT UNITS**

June 30, 2010  
(Expressed in Thousands)

	Child Development Services	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority	Maine Maritime Academy
<b>Assets</b>							
Current Assets:							
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 922
Cash and Cash Equivalents	1,530	3,337	12,081	1,545	1,804	63,816	2,821
Investments	-	-	-	-	-	-	3,793
Restricted Assets:							
Restricted Deposits and Investments	-	-	1,023	-	-	-	-
Inventories	-	-	-	-	-	-	619
Receivables, Net of Allowance for Uncollectibles:							
Loans Receivable	-	-	-	-	-	16,271	630
Other Receivables	9	377	-	214	50	1,771	843
Due from Other Governments	5	36	-	-	-	-	-
Due from Primary Government	697	-	-	1,005	3,409	-	-
Other Current Assets	146	-	34	118	-	26	1,099
Total Current Assets	2,387	3,750	13,138	2,882	5,263	81,884	10,727
Noncurrent Assets:							
Assets Held in Trust	-	-	-	-	-	-	-
Restricted Assets:							
Restricted Deposits and Investments	-	-	-	-	-	-	3,787
Investments	-	-	-	-	701	-	12,136
Receivables, Net of Current Portion:							
Loans Receivable	-	-	-	-	-	126,335	2,323
Notes Receivable	-	-	-	1,037	-	-	-
Other Receivables	-	-	-	-	-	5,799	1,072
Due from Primary Government	-	-	-	-	-	-	-
Capital Assets - Net of Depreciation	608	-	47	62,223	615	2	17,533
Other Noncurrent Assets	-	-	-	-	-	1,111	6,208
Total Noncurrent Assets	608	-	47	63,260	1,316	133,247	43,059
Total Assets	2,995	3,750	13,185	66,142	6,579	215,131	53,786
<b>Liabilities</b>							
Current Liabilities:							
Accounts Payable	3,960	119	99	227	160	196	3,040
Accrued Payroll	678	-	-	-	394	-	-
Compensated Absences	347	-	-	27	99	-	-
Due to Other Governments	-	-	-	1,388	-	-	-
Due to Primary Government	-	-	-	116	-	-	-
Bonds Payable	-	-	-	-	-	1,700	137
Notes Payable	-	-	-	989	-	-	-
Obligations under Capital Leases	18	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	915	-
Deferred Revenue	752	-	12,900	20	1,385	579	113
Other Current Liabilities	326	2	11	116	-	-	163
Total Current Liabilities	6,081	121	13,010	2,883	2,038	3,390	3,453
Long-Term Liabilities:							
Due to Other Governments	-	-	-	-	-	-	1,710
Bonds Payable	-	-	-	-	-	205,279	2,012
Notes Payable	-	-	-	591	-	-	-
Obligations under Capital Leases	29	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	1,753	-
Other Noncurrent Liabilities	-	-	-	-	-	-	-
Total Long-Term Liabilities	29	-	-	591	-	207,032	3,722
Total Liabilities	6,110	121	13,010	3,474	2,038	210,422	7,175
<b>Net Assets</b>							
Invested in Capital Assets, Net of Related Debt	562	-	47	60,324	615	-	15,427
Restricted	32	3,629	128	-	563	4,306	16,637
Unrestricted	(3,709)	-	-	2,344	3,363	403	14,547
Total Net Assets	\$ (3,115)	\$ 3,629	\$ 175	\$ 62,668	\$ 4,541	\$ 4,709	\$ 46,611

Maine Port Authority	Midcoast Regional Development Authority	Maine Technology Institute	Northern New England Passenger Rail Authority	Small Enterprise Growth Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 922
2,260	51	17,327	1,195	2,082	109,849
-	-	126	-	-	3,919
-	-	-	-	-	1,023
-	-	-	106	-	725
-	-	164	-	159	17,224
49	339	317	33	18	4,020
-	-	-	3,057	-	3,098
-	-	1,060	91	-	6,262
-	5	14	805	-	2,247
2,309	395	19,008	5,287	2,259	149,289
-	-	284	-	-	284
-	-	-	370	-	4,157
-	-	-	-	1,517	14,354
-	-	858	-	-	129,516
-	-	-	-	227	1,264
-	-	-	-	25	6,896
-	-	-	96	-	96
15,312	41	91	1,531	5	98,008
-	-	-	-	-	7,319
15,312	41	1,233	1,997	1,774	261,894
17,621	436	20,241	7,284	4,033	411,183
43	207	3,358	1,549	-	12,958
-	-	-	-	-	1,072
-	15	-	13	-	501
-	-	-	-	-	1,388
173	-	-	-	-	289
-	131	-	-	-	1,968
-	-	-	-	-	989
-	2	4	-	-	24
-	-	-	-	-	915
7	43	15,346	325	-	31,470
-	28	284	33	25	988
223	426	18,992	1,920	25	52,562
-	-	-	-	-	1,710
-	16	-	-	-	207,307
-	-	-	-	-	591
-	4	19	-	-	52
-	-	-	-	-	1,753
-	-	-	63	-	63
-	20	19	63	-	211,476
223	446	19,011	1,983	25	264,038
15,312	14	-	1,531	5	93,837
1,386	-	-	2,186	-	28,867
700	(24)	1,230	1,584	4,003	24,441
\$ 17,398	\$ (10)	\$ 1,230	\$ 5,301	\$ 4,008	\$ 147,145

**STATE OF MAINE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NON-MAJOR COMPONENT UNITS**

Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Child Development Services	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
<b>Expenses</b>	\$ 29,559	\$ 1,682	\$ 525	\$ 3,166	\$ 6,751	\$ 10,850
<b>Program Revenues</b>						
Charges for Services	3,543	-	-	1,453	477	10,849
Program Investment Income	6	-	-	-	-	399
Operating Grants and Contributions	24,467	1,813	700	-	9	-
Capital Grants and Contributions	-	-	-	529	-	-
Net Revenue (Expense)	(1,543)	131	175	(1,184)	(6,265)	398
<b>General Revenues</b>						
Unrestricted Investment Earnings	-	-	-	71	68	-
Non-program Specific Grants, Contributions and Appropriations	-	-	-	1,205	6,851	-
Miscellaneous Income	6	4	-	29	-	-
Gain (Loss) on Assets Held for Sale	-	-	-	49	-	-
Total General Revenues	6	4	-	1,354	6,919	-
Change in Net Assets	(1,537)	135	175	170	654	398
Net Assets, Beginning of the Year (as restated)	(1,578)	3,494	-	62,498	3,887	4,311
Net Assets, End of Year	<u>\$ (3,115)</u>	<u>\$ 3,629</u>	<u>\$ 175</u>	<u>\$ 62,668</u>	<u>\$ 4,541</u>	<u>\$ 4,709</u>

<b>Maine Maritime Academy</b>	<b>Maine Port Authority</b>	<b>Midcoast Regional Development Authority</b>	<b>Maine Technology Institute</b>	<b>Northern New England Passenger Rail Authority</b>	<b>Small Enterprise Growth Fund</b>	<b>Totals</b>
\$ 29,833	\$ 1,736	\$ 1,726	\$ 17,925	\$ 16,789	\$ 1,204	\$ 121,746
16,507	1,090	-	16	7,450	-	41,385
1,793	-	-	-	-	-	2,198
2,626	33	1,697	17,163	6,995	373	55,876
1,227	18	-	-	2,678	-	4,452
(7,680)	(595)	(29)	(746)	334	(831)	(17,835)
277	3	-	301	11	76	807
8,923	-	-	-	-	-	16,979
520	-	-	12	65	-	636
(113)	-	-	-	-	-	(64)
9,607	3	-	313	76	76	18,358
1,927	(592)	(29)	(433)	410	(755)	523
44,684	17,990	19	1,663	4,891	4,763	146,622
\$ 46,611	\$ 17,398	\$ (10)	\$ 1,230	\$ 5,301	\$ 4,008	\$ 147,145





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# STATISTICAL SECTION

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## STATISTICAL SECTION NARRATIVE AND TABLE OF CONTENTS

This part of the State of Maine's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time. The schedules presented from an entity wide perspective only include FY2002 and forward, coinciding with the implementation of GASB Statement No. 34. Fund perspective schedules are presented for the last Nine years, except where GASB Statement No. 44 was prospectively implemented. Schedules included are:

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# STATE OF MAINE

## NET ASSETS BY ACTIVITIES

Last Nine Fiscal Years  
(Expressed in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 3,945,220	\$ 3,767,895	\$ 3,632,073	\$ 3,519,371
Restricted	184,241	162,240	200,888	198,786
Unrestricted	<u>(136,474)</u>	<u>(150,054)</u>	<u>(98,830)</u>	<u>50,153</u>
Total Governmental Activities Net Assets	<u>\$ 3,992,987</u>	<u>\$ 3,780,081</u>	<u>\$ 3,734,131</u>	<u>\$ 3,768,310</u>
<b>Business-Type Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 97,635	\$ 96,667	\$ 95,905	\$ 90,361
Restricted	320,648	383,970	493,733	489,677
Unrestricted	<u>(35,010)</u>	<u>(67,030)</u>	<u>(89,400)</u>	<u>(74,054)</u>
Total Business-Type Activities Net Assets	<u>\$ 383,273</u>	<u>\$ 413,607</u>	<u>\$ 500,238</u>	<u>\$ 505,984</u>
<b>Total Primary Government</b>				
Invested in Capital Assets, Net of Related Debt	\$ 4,042,855	\$ 3,864,562	\$ 3,727,978	\$ 3,609,732
Restricted	504,889	546,210	694,621	688,463
Unrestricted	<u>(171,484)</u>	<u>(217,084)</u>	<u>(188,230)</u>	<u>(23,901)</u>
Total Primary Government Activities Net Assets	<u>\$ 4,376,260</u>	<u>\$ 4,193,688</u>	<u>\$ 4,234,369</u>	<u>\$ 4,274,294</u>

**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System. Accrual basis of accounting.

## SCHEDULE 1

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 3,347,672	\$ 3,061,098	\$ 2,878,596	\$ 2,628,197	\$ 2,424,949
172,449	290,385	214,026	184,809	242,976
<u>(67,588)</u>	<u>(171,074)</u>	<u>(37,519)</u>	<u>(123,477)</u>	<u>5,887</u>
<u>\$ 3,452,533</u>	<u>\$ 3,180,409</u>	<u>\$ 3,055,103</u>	<u>\$ 2,689,529</u>	<u>\$ 2,673,812</u>
<hr/>				
\$ 79,030	\$ 49,961	\$ 51,434	\$ 72,375	\$ 53,679
476,832	459,538	450,475	459,127	464,862
<u>(74,098)</u>	<u>(71,445)</u>	<u>(71,419)</u>	<u>2,179</u>	<u>6,798</u>
<u>\$ 481,764</u>	<u>\$ 438,054</u>	<u>\$ 430,490</u>	<u>\$ 533,681</u>	<u>\$ 525,339</u>
<hr/>				
\$ 3,426,702	\$ 3,111,059	\$ 2,930,030	\$ 2,700,572	\$ 2,478,628
649,281	749,923	664,501	643,936	707,838
<u>(141,686)</u>	<u>(242,519)</u>	<u>(108,938)</u>	<u>(121,298)</u>	<u>12,685</u>
<u>\$ 3,934,297</u>	<u>\$ 3,618,463</u>	<u>\$ 3,485,593</u>	<u>\$ 3,223,210</u>	<u>\$ 3,199,151</u>

# STATE OF MAINE

## CHANGES IN NET ASSETS BY ACTIVITIES

Last Nine Fiscal Years  
(Expressed in Thousands)

	2010	2009	2008	2007
<b>Expenses</b>				
Governmental Activities:				
Governmental Support & Operations	\$ 477,994	\$ 484,127	\$ 540,789	\$ 460,315
Arts, Heritage & Cultural Enrichment	11,761	13,430	12,406	12,994
Business Licensing & Regulation	74,243	66,155	63,417	60,506
Economic Development & Workforce Training	400,166	229,838	149,970	161,427
Education	1,752,041	1,689,036	1,669,353	1,622,653
Health & Human Services	3,511,572	3,428,680	3,290,482	2,989,001
Labor	-	-	-	-
Justice & Protection	412,263	419,027	407,879	358,718
Natural Resources Development & Protection	196,780	224,609	186,214	179,670
Transportation, Safety & Development	295,514	301,355	329,914	267,994
Interest Expense	48,594	40,148	35,524	36,246
Total Governmental Activities	7,180,928	6,896,405	6,685,948	6,149,524
Business-Type Activities:				
Employment Security	235,301	225,181	122,518	120,215
Alcoholic Beverages	1	-	-	-
Lottery	166,721	163,030	178,419	180,722
Transportation	8,173	8,473	7,432	4,218
Airport	-	-	-	-
Marine Ports	1,354	1,382	1,925	2,097
Ferry Services	10,817	10,210	9,292	9,405
Military Equipment Maintenance	45,004	71,380	80,306	35,140
Dirigo Health	50,952	58,861	76,860	65,178
Other	8,395	7,495	6,673	6,875
Total Business-Type Activities	526,718	546,012	483,425	423,850
Total Primary Government Expenses	7,707,646	7,442,417	7,169,373	6,573,374
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
Governmental Support & Operations	106,164	82,738	86,178	76,507
Arts, Heritage & Cultural Enrichment	1,075	1,172	1,303	818
Business Licensing & Regulation	71,592	56,042	69,845	52,033
Economic Development & Workforce Training	6,846	4,531	2,361	3,202
Education	7,487	2,053	3,653	4,865
Health & Human Services	11,844	12,573	11,694	9,656
Justice & Protection	88,166	90,497	89,580	80,435
Natural Resources Development & Protection	95,318	91,562	92,737	81,305
Transportation, Safety & Development	103,759	111,429	102,729	97,761
Operating Grants and Contributions	3,525,858	3,081,827	2,559,533	2,361,828
Capital Grants and Contributions	-	-	-	6,434
Total Governmental Activities Program Revenues	4,018,109	3,534,424	3,019,613	2,774,844
Business-Type Activities:				
Employment Security	127,438	97,362	106,536	112,482
Alcoholic Beverages	12,528	12,530	12,527	12,525
Lottery	219,966	213,073	228,980	231,628
Transportation	1,929	3,961	2,089	2,169
Airport	-	-	-	-
Marine Ports	47	78	315	127
Ferry Services	4,951	4,347	4,116	3,837
Military Equipment Maintenance	49,487	75,784	77,229	30,656
Dirigo Health	65,609	68,704	54,507	63,339
Other	7,079	7,072	6,898	6,755
Operating Grants and Contributions	44,629	20,170	22,950	21,386
Capital Grants and Contributions	-	-	-	4,143
Total Business-Type Activities Program Revenues	533,663	503,081	516,147	489,047
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(3,162,819)	(3,361,981)	(3,666,335)	(3,374,680)
Business-Type Activities	6,945	(42,931)	32,722	65,197
Total Primary Governmental Net (Expense)/Revenue	(3,155,874)	(3,404,912)	(3,633,613)	(3,309,483)

## SCHEDULE 2

	2006	2005	2004	2003	2002
\$	530,008	\$ 480,837	\$ 469,682	\$ 403,505	\$ 432,206
	12,191	13,273	12,498	13,012	-
	53,547	49,553	46,249	34,447	-
	160,093	171,092	191,868	206,586	131,285
	1,494,438	1,412,524	1,357,080	1,340,614	1,323,259
	3,167,521	3,051,822	2,775,008	2,522,643	2,367,786
	-	-	-	-	92,544
	340,281	322,072	297,619	301,575	108,742
	166,358	171,307	166,167	163,606	132,858
	322,438	246,837	203,968	240,286	240,869
	36,873	32,530	31,324	32,120	24,576
	<u>6,283,748</u>	<u>5,951,847</u>	<u>5,551,463</u>	<u>5,258,394</u>	<u>4,854,125</u>
	103,867	113,642	118,965	124,452	123,606
	-	7	61,958	59,412	56,896
	179,628	161,691	146,214	125,641	120,520
	-	-	-	-	-
	22	892	819	-	-
	1,378	1,829	1,415	-	-
	6,707	7,876	7,296	-	-
	65,013	50,908	25,923	-	-
	47,122	13,587	-	-	-
	3,860	2,107	2,107	11,918	13,990
	<u>407,597</u>	<u>352,539</u>	<u>364,697</u>	<u>321,423</u>	<u>315,012</u>
	<u>6,691,345</u>	<u>6,304,386</u>	<u>5,916,160</u>	<u>5,579,817</u>	<u>5,169,137</u>
	71,507	67,067	148,707	46,501	65,882
	920	816	1,308	712	-
	65,588	51,374	54,920	35,159	-
	2,966	3,355	2,242	3,552	54,042
	8,605	1,362	924	465	2,062
	15,097	13,649	14,722	57,627	10,606
	75,035	63,274	63,475	52,009	17,625
	76,921	72,450	78,870	75,312	54,921
	95,394	97,172	9,919	104,780	96,457
	2,536,857	2,324,723	2,265,857	1,952,069	1,666,512
	<u>24,268</u>	<u>174,140</u>	<u>200,754</u>	<u>164,927</u>	<u>152,029</u>
	<u>2,973,158</u>	<u>2,869,382</u>	<u>2,841,698</u>	<u>2,493,113</u>	<u>2,120,136</u>
	102,611	100,136	86,143	119,327	146,297
	12,525	12,582	89,087	85,985	81,620
	230,962	211,965	188,671	166,903	159,133
	-	-	-	-	-
	27	125	147	-	-
	87	427	14	-	-
	3,464	3,642	3,168	-	-
	70,427	46,476	27,336	-	-
	25,886	5,216	-	-	-
	4,128	2,178	1,878	5,340	4,456
	20,663	23,915	25,927	-	34,321
	-	194	1,771	9,000	2,048
	<u>470,780</u>	<u>406,856</u>	<u>424,142</u>	<u>386,555</u>	<u>427,875</u>
	(3,310,590)	(3,082,465)	(2,709,765)	(2,765,281)	(2,733,989)
	<u>63,183</u>	<u>54,317</u>	<u>59,445</u>	<u>65,132</u>	<u>112,863</u>
	<u>(3,247,407)</u>	<u>(3,028,148)</u>	<u>(2,650,320)</u>	<u>(2,700,149)</u>	<u>(2,621,126)</u>

(continued)

**STATE OF MAINE**  
**CHANGES IN NET ASSETS BY ACTIVITIES (Continued)**

Last Nine Fiscal Years  
(Expressed in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>General Revenues and Other Changes in Net Assets:</b>				
Governmental Activities:				
Taxes:				
Corporate	\$ 282,998	\$ 266,551	\$ 291,463	\$ 292,255
Individual Income	1,297,568	1,374,681	1,552,412	1,478,542
Fuel	191,390	177,103	177,937	181,459
Property	46,627	39,120	43,672	48,339
Sales & Use	1,116,301	1,137,428	1,192,986	1,191,982
Other	258,775	250,297	254,297	255,550
Unrestricted Investment Earnings	12,378	6,417	5,857	39,599
Miscellaneous Income	92,536	91,528	120,109	123,036
Loss on Assets Held for Sale	-	(57)	(1,016)	(445)
Tobacco Settlement	51,601	61,388	64,399	48,978
Special Items	(11,728)	-	(100,000)	-
Transfers - Internal Activities	37,279	43,700	38,470	40,979
Total Governmental Activities	<u>3,375,725</u>	<u>3,448,156</u>	<u>3,640,586</u>	<u>3,700,274</u>
Business-Type Activities:				
Miscellaneous Income	-	-	2	2
Loss on Assets Held for Sale	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal Activities	(37,279)	(43,700)	(38,470)	(40,979)
Total Business-Type Activities	<u>(37,279)</u>	<u>(43,700)</u>	<u>(38,468)</u>	<u>(40,977)</u>
Total Primary Government	<u>3,338,446</u>	<u>3,404,456</u>	<u>3,602,118</u>	<u>3,659,297</u>
<b>Change in Net Assets</b>				
Governmental Activities	212,906	86,175	(25,749)	325,594
Business-Type Activities	<u>(30,334)</u>	<u>(86,631)</u>	<u>(5,746)</u>	<u>24,220</u>
Total Change in Net Assets - Primary Government	<u>\$ 182,572</u>	<u>\$ (456)</u>	<u>\$ (31,495)</u>	<u>\$ 349,814</u>

**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System. Accrual basis of accounting.



## SCHEDULE 2 (continued)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	305,872	\$ 244,842	\$ 216,366	\$ 182,554	\$ 158,493
	1,403,790	1,296,606	1,149,109	1,095,143	1,043,312
	177,904	176,020	166,174	161,534	149,193
	53,272	50,962	28,412	38,179	35,546
	1,156,201	1,049,890	1,086,049	1,012,552	976,618
	263,506	223,326	117,168	90,769	63,111
	28,881	20,650	17,049	8,521	8,944
	104,272	92,851	124,043	119,825	81,981
	(217)	(112)	(3,035)	-	-
	41,573	50,006	49,018	43,587	112,125
	(31,212)	30,881	75,000	-	-
	<u>51,708</u>	<u>50,211</u>	<u>68,132</u>	<u>56,790</u>	<u>69,636</u>
	<u>3,555,550</u>	<u>3,286,133</u>	<u>3,093,485</u>	<u>2,809,454</u>	<u>2,698,959</u>
	448	-	-	-	-
	-	-	-	-	1,093
	31,787	(50,000)	(85,703)	-	-
	<u>(51,708)</u>	<u>(50,211)</u>	<u>(68,132)</u>	<u>(56,790)</u>	<u>(69,636)</u>
	<u>(19,473)</u>	<u>(100,211)</u>	<u>(153,835)</u>	<u>(56,790)</u>	<u>(68,543)</u>
	<u>3,536,077</u>	<u>3,185,922</u>	<u>2,939,650</u>	<u>2,752,664</u>	<u>2,630,416</u>
	244,960	203,668	383,720	44,173	(35,030)
	<u>43,710</u>	<u>(45,894)</u>	<u>(94,390)</u>	<u>8,342</u>	<u>44,320</u>
\$	<u><u>288,670</u></u>	<u><u>157,774</u></u>	<u><u>289,330</u></u>	<u><u>52,515</u></u>	<u><u>9,290</u></u>

# STATE OF MAINE

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Nine Fiscal Years  
(Expressed in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund				
Reserved	\$ 102,770	\$ 116,986	\$ 165,402	\$ 127,136
Unreserved	<u>(411,018)</u>	<u>(390,379)</u>	<u>(403,874)</u>	<u>(283,485)</u>
Total General Fund	<u>\$ (308,248)</u>	<u>\$ (273,393)</u>	<u>\$ (238,472)</u>	<u>\$ (156,349)</u>
<hr/>				
All Other Governmental Funds				
Reserved	\$ 547,637	\$ 442,613	\$ 458,238	\$ 424,965
Unreserved, reported in:				
Special revenue funds	<u>72,382</u>	<u>32,736</u>	<u>(31,858)</u>	<u>4,270</u>
Total All Other Governmental Funds	<u>\$ 620,019</u>	<u>\$ 475,349</u>	<u>\$ 426,380</u>	<u>\$ 429,235</u>
<hr/>				
Total Governmental Fund Balances	<u>\$ 311,771</u>	<u>\$ 201,956</u>	<u>\$ 187,908</u>	<u>\$ 272,886</u>

**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System.  
Modified accrual basis of accounting.

## SCHEDULE 3

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 177,796	\$ 192,684	\$ 122,440	\$ 60,946	\$ 156,495
<u>(355,427)</u>	<u>(146,328)</u>	<u>(124,706)</u>	<u>(81,361)</u>	<u>(136,169)</u>
<u>\$ (177,631)</u>	<u>\$ 46,356</u>	<u>\$ (2,266)</u>	<u>\$ (20,415)</u>	<u>\$ 20,326</u>
<hr/>				
\$ 460,257	\$ 521,984	\$ 487,506	\$ 449,667	\$ 553,836
<u>(67,148)</u>	<u>(30,605)</u>	<u>(38,886)</u>	<u>(80,578)</u>	<u>(64,812)</u>
<u>\$ 393,109</u>	<u>\$ 491,379</u>	<u>\$ 448,620</u>	<u>\$ 369,089</u>	<u>\$ 489,024</u>
<hr/>				
<u>\$ 215,478</u>	<u>\$ 537,735</u>	<u>\$ 446,354</u>	<u>\$ 348,674</u>	<u>\$ 509,350</u>

**STATE OF MAINE  
REVENUES, EXPENDITURES  
AND OTHER FINANCING SOURCES (USES)  
GOVERNMENTAL FUNDS**

Last Nine Fiscal Years  
(Expressed in Thousands)

	2010	2009	2008	2007
<b>Revenues:</b>				
Taxes	\$ 3,215,299	\$ 3,240,269	\$ 3,510,637	\$ 3,430,669
Assessments and Other Revenue	334,656	322,239	320,363	289,301
Federal Grants and Reimbursements	3,535,224	3,092,757	2,569,632	2,386,317
Service Charges	159,854	148,904	145,091	123,249
Investment Income (Loss)	11,273	(264)	2,356	26,740
Miscellaneous Revenue	144,509	138,740	134,110	161,676
Total Revenues	<u>7,400,815</u>	<u>6,942,645</u>	<u>6,682,189</u>	<u>6,417,952</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	442,291	466,604	503,123	444,366
Economic Development & Workforce Training	401,839	229,090	152,403	162,003
Education	1,776,207	1,702,917	1,681,096	1,637,848
Health and Human Services	3,608,645	3,448,401	3,356,683	3,066,272
Labor	-	-	-	-
Business Licensing & Regulation	73,807	65,235	65,470	61,540
Natural Resources Development & Protection	224,598	222,947	195,330	204,204
Justice and Protection	415,689	445,389	415,645	372,674
Arts, Heritage & Cultural Enrichment	11,613	13,208	12,717	13,215
Transportation Safety & Development	536,617	524,803	516,756	462,023
Debt Service:				
Principal Payments	120,087	85,759	81,015	83,680
Interest Payments	39,332	23,271	19,575	20,334
Total Expenditures	<u>7,650,725</u>	<u>7,227,624</u>	<u>6,999,813</u>	<u>6,528,159</u>
Revenue over (under) Expenditures	<u>(249,910)</u>	<u>(284,979)</u>	<u>(317,624)</u>	<u>(110,207)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Other Funds	352,719	315,508	312,154	352,896
Transfer to Other Funds	(309,596)	(254,300)	(225,695)	(279,691)
COPS and Other	40,520	4,474	50,542	35,543
Proceeds from Component Unit Loan Payable	142,857	100,000	-	-
Bonds Issued	70,110	133,345	104,075	60,975
Net Other Finance Sources (Uses)	<u>296,610</u>	<u>299,027</u>	<u>241,076</u>	<u>169,723</u>
<b>Special Items:</b>				
Return of Excess Equity from Retiree Health Insurance Fund	63,115	-	-	-
Refund to Federal Government Resulting from Excess Equity Distribution	-	-	-	-
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	-	-
Net Special Items	<u>63,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 109,815</u>	<u>\$ 14,048</u>	<u>\$ (76,548)</u>	<u>\$ 59,516</u>

Debt Service as a Percentage of NonCapital Expenditures	2.17%	1.56%	1.47%	1.64%
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**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System. Modified accrual basis of accounting.

## SCHEDULE 4

	2006	2005	2004	2003	2002
\$	3,344,803	\$ 3,035,988	\$ 2,764,684	\$ 2,585,456	\$ 2,417,458
	290,455	256,690	260,225	212,339	212,777
	2,625,354	2,500,523	2,461,204	2,169,919	1,837,347
	135,815	119,996	131,871	128,148	141,584
	24,140	16,740	15,247	6,396	6,422
	115,800	130,609	148,537	165,242	91,321
	<u>6,536,367</u>	<u>6,060,546</u>	<u>5,781,768</u>	<u>5,267,500</u>	<u>4,706,909</u>
	529,462	461,645	474,173	383,432	481,855
	162,326	173,919	194,379	207,732	133,320
	1,510,662	1,425,244	1,367,414	1,327,936	1,325,259
	3,364,164	3,097,852	2,830,069	2,597,851	2,443,949
	-	-	-	-	92,191
	56,064	50,883	47,702	35,282	-
	191,612	184,171	200,428	175,348	136,601
	362,394	346,849	303,659	323,326	109,022
	12,655	13,471	12,715	13,074	-
	574,314	469,978	458,679	456,482	393,985
	75,090	66,790	72,325	85,165	87,605
	18,998	15,972	15,480	16,957	20,779
	<u>6,857,741</u>	<u>6,306,774</u>	<u>5,977,023</u>	<u>5,622,585</u>	<u>5,224,566</u>
	<u>(321,374)</u>	<u>(246,228)</u>	<u>(195,255)</u>	<u>(355,085)</u>	<u>(517,657)</u>
	282,739	342,965	434,934	376,005	291,483
	(235,505)	(288,865)	(349,799)	(323,827)	(213,817)
	10,727	6,061	11,246	10,546	-
	22,111	49,423	-	-	-
	<u>52,390</u>	<u>140,025</u>	<u>133,815</u>	<u>103,580</u>	<u>32,610</u>
	<u>132,462</u>	<u>249,609</u>	<u>230,196</u>	<u>166,304</u>	<u>110,276</u>
	-	105,711	-	-	-
	-	(19,119)	-	-	-
	-	-	(26,000)	-	-
	-	-	26,000	-	-
	<u>-</u>	<u>50,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>136,592</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
\$	<u>(188,912)</u>	\$ <u>139,973</u>	\$ <u>109,941</u>	\$ <u>(188,781)</u>	\$ <u>(407,381)</u>
	1.42%	1.37%	1.55%	1.91%	2.18%

**STATE OF MAINE**  
**REVENUES, EXPENDITURES AND OTHER**  
**FINANCING SOURCES (USES)**  
**GENERAL FUND**

Last Nine Fiscal Years  
(Expressed in Thousands)

	2010	2009	2008	2007
<b>Revenues:</b>				
Taxes	\$ 2,756,435	\$ 2,808,997	\$ 3,079,706	\$ 3,003,382
Assessments and Other Revenue	117,119	120,682	116,742	109,336
Federal Grants and Reimbursements	11,047	14,844	11,041	16,762
Service Charges	50,852	44,211	47,262	36,717
Investment Income (Loss)	567	8,425	2,562	9,653
Miscellaneous Revenue	12,284	9,892	7,872	25,099
Total Revenues	<u>2,948,304</u>	<u>3,007,051</u>	<u>3,265,185</u>	<u>3,200,949</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	257,093	273,595	280,871	262,721
Economic Development & Workforce Training	35,646	35,751	39,360	40,280
Education	1,419,891	1,451,223	1,478,192	1,438,605
Health and Human Services	758,808	786,512	1,063,499	972,875
Labor	-	-	-	-
Business Licensing & Regulation	22	6	-	-
Natural Resources Development & Protection	67,324	67,669	72,709	70,373
Justice and Protection	270,581	270,594	267,117	245,592
Arts, Heritage & Cultural Enrichment	7,311	8,096	8,632	8,958
Transportation Safety & Development	-	1	-	-
Debt Service:				
Principal Payments	92,035	65,685	66,250	69,350
Interest Payments	24,103	15,179	16,058	17,369
Total Expenditures	<u>2,932,814</u>	<u>2,974,311</u>	<u>3,292,688</u>	<u>3,126,123</u>
Revenue over (under) Expenditures	<u>15,490</u>	<u>32,740</u>	<u>(27,503)</u>	<u>74,826</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Other Funds	106,694	87,178	101,092	115,292
Transfer to Other Funds	(205,768)	(155,566)	(152,813)	(190,074)
Other	382	727	5,531	23,346
Bonds Issued	-	-	-	-
Net Other Finance Sources (Uses)	<u>(98,692)</u>	<u>(67,661)</u>	<u>(46,190)</u>	<u>(51,436)</u>
<b>Special Items:</b>				
Return of Excess Equity from Retiree Health Insurance Fund	48,347	-	-	-
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	-	-
Net Special Items	<u>48,347</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ (34,855)</u>	<u>\$ (34,921)</u>	<u>\$ (73,693)</u>	<u>\$ 23,390</u>
Debt Service as a Percentage of NonCapital Expenditures	4.4%	3.0%	2.6%	3.0%

**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System.  
Modified accrual basis of accounting.

## SCHEDULE 5

	2006	2005	2004	2003	2002
\$	2,926,835	\$ 2,653,628	\$ 2,453,800	\$ 2,307,439	\$ 2,173,345
	105,371	88,514	81,852	62,010	61,685
	17,334	28,894	25,230	25,580	21,578
	41,395	38,351	44,049	35,356	41,111
	12,299	6,877	5,837	2,346	3,830
	14,993	12,437	45,008	5,660	457
	<u>3,118,227</u>	<u>2,828,701</u>	<u>2,655,776</u>	<u>2,438,391</u>	<u>2,302,006</u>
	327,529	270,370	263,839	172,344	277,640
	45,324	42,278	47,095	54,292	61,348
	1,283,214	1,201,008	1,144,907	1,143,982	1,157,639
	1,097,456	957,371	777,074	813,105	927,868
	-	-	-	-	14,729
	-	3	-	37	-
	70,878	67,310	66,692	67,315	51,439
	227,588	220,141	203,360	202,653	24,941
	8,504	8,521	8,352	9,017	-
	178	831	3,338	1,603	9,308
	57,985	53,510	56,310	63,950	64,305
	<u>15,263</u>	<u>12,541</u>	<u>12,458</u>	<u>12,953</u>	<u>15,479</u>
	<u>3,133,919</u>	<u>2,833,884</u>	<u>2,583,425</u>	<u>2,541,251</u>	<u>2,604,696</u>
	<u>(15,692)</u>	<u>(5,183)</u>	<u>72,351</u>	<u>(102,860)</u>	<u>(302,690)</u>
	90,912	101,813	127,525	197,119	128,126
	(164,923)	(168,173)	(238,637)	(135,000)	(124,836)
	666	-	-	-	-
	-	1,681	2,335	-	-
	<u>(73,345)</u>	<u>(64,679)</u>	<u>(108,777)</u>	<u>62,119</u>	<u>3,290</u>
	-	68,484	-	-	-
	-	-	(26,000)	-	-
	-	-	26,000	-	-
	-	50,000	75,000	-	-
	<u>-</u>	<u>118,484</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
\$	<u>(89,037)</u>	<u>48,622</u>	<u>38,574</u>	<u>(40,741)</u>	<u>(299,400)</u>
	2.6%	2.6%	3.0%	3.4%	3.4%

# STATE OF MAINE INDIVIDUAL INCOME TAX AND TAX RATES ON TAXABLE INCOME

Last Nine Calendar Years  
(Expressed in Thousands)

	2009	2008	2007	2006
Individual Income Tax Liability	\$ 1,231,328	\$ 1,327,007	\$ 1,441,839	\$ 1,364,514
Personal Income	\$ 48,089,690	\$ 47,994,130	\$ 46,142,069	\$ 42,410,500
Average Effective Tax Rate	2.6%	2.8%	3.1%	3.2%

	2009	2008	2007	2006
Income Bracket	\$0 - \$5,049	\$0 - \$4,849	\$0 - \$4,749	\$0 - \$4,549
Tax Rate	2.0%	2.0%	2.0%	2.0%
Income Bracket	\$5,050 - \$10,049	\$4,850 - \$9,699	\$4,750 - \$9,450	\$4,550 - \$9,099
Tax Rate	4.5%	4.5%	4.5%	4.5%
Income Bracket	\$10,050 - \$20,149	\$9,700 - \$19,449	\$9,450 - \$18,950	\$9,100 - \$18,249
Tax Rate	7.0%	7.0%	7.0%	7.0%
Income Bracket	\$20,150+	\$19,450+	\$18,950+	\$18,250+
Tax Rate	8.5%	8.5%	8.5%	8.5%

Individual income tax brackets are indexed for inflation beginning in tax year 2003.

<sup>1</sup> Amounts shown are for single and married filing separate returns.

For joint filers, approx. double the income amounts, for head of household filers multiply the brackets by approx 1.5.

**SOURCE:** Maine Revenue Services.



## SCHEDULE 6

2005	2004	2003	2002	2001
\$ 1,286,375	\$ 1,200,138	\$ 1,079,587	\$ 1,020,675	\$ 1,016,073
\$ 40,379,638	\$ 39,487,538	\$ 37,281,183	\$ 35,998,489	\$ 35,107,104
3.2%	3.0%	2.9%	2.8%	2.9%

2005	2004	2003	2002	2001
\$0 - \$4,449 2.0%	\$0 - \$4,349 2.0%	\$0 - \$4,249 2.0%	\$0 - \$4,199 2.0%	\$0 - \$4,149 2.0%
\$4,450 - \$8,849 4.5%	\$4,350 - \$8,649 4.5%	\$4,250 - \$8,449 4.5%	\$4,200 - \$8,349 4.5%	\$4,150 - \$8,249 4.5%
\$8,850 - \$17,699 7.0%	\$8,650 - \$17,349 7.0%	\$8,450 - \$16,949 7.0%	\$8,350 - \$16,699 7.0%	\$8,250 - \$16,499 7.0%
\$17,700+ 8.5%	\$17,350+ 8.5%	\$16,950+ 8.5%	\$16,700+ 8.5%	\$16,500+ 8.5%



**SCHEDULE 7**

**STATE OF MAINE**  
**INDIVIDUAL INCOME TAX FILERS AND TAX**  
**LIABILITY BY MAINE ADJUSTED GROSS INCOME**

(Tax Liability Expressed in Millions)

**2009 Tax Year**

<b>Income Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$0 and below	11,063	1.7%	\$ 0.38	0.0%
\$1 - \$ 10,000	100,225	15.7%	0.68	0.1%
\$10,001 - \$ 20,000	104,876	16.5%	11.21	0.9%
\$20,001 - \$ 30,000	94,187	14.8%	41.19	3.3%
\$30,001 - \$ 50,000	124,628	19.6%	143.89	11.7%
\$50,001 - \$ 75,000	89,658	14.1%	213.37	17.3%
\$75,001 - \$100,000	48,951	7.7%	192.86	15.7%
\$100,001 - \$200,000	47,718	7.5%	318.77	25.9%
\$200,001 and higher	15,583	2.4%	308.98	25.1%
<b>Total</b>	<b>636,889</b>	<b>100.0%</b>	<b>\$ 1,231.33</b>	<b>100.0%</b>

**2000 Tax Year**

<b>Income Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$0 and below	5,186	0.8%	\$ 0.01	0.0%
\$1 - \$ 10,000	122,157	19.5%	1.38	0.1%
\$10,001 - \$ 20,000	121,639	19.4%	19.22	1.8%
\$20,001 - \$ 30,000	100,323	16.0%	55.57	5.1%
\$30,001 - \$ 50,000	124,257	19.8%	154.93	14.2%
\$50,001 - \$ 75,000	81,593	13.0%	202.87	18.6%
\$75,001 - \$100,000	33,419	5.3%	135.26	12.4%
\$100,001 - \$200,000	26,288	4.2%	180.25	16.5%
\$200,001 and higher	11,884	1.9%	340.49	31.2%
<b>Total</b>	<b>626,746</b>	<b>100.0%</b>	<b>\$ 1,089.97</b>	<b>100.0%</b>

**SOURCE:** Maine Revenue Services.

# STATE OF MAINE

## TAXABLE SALES AND SALES TAX RATES

Last Nine Calendar Years  
(Expressed in Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Business Operating	\$ 1,844,137	\$ 2,215,203	\$ 2,192,901	\$ 2,099,287
Building Supply	1,935,594	2,310,974	2,423,398	2,526,623
Food Store	1,524,322	1,487,816	1,451,156	1,404,216
General Merchandise	2,961,519	3,072,726	3,140,117	3,097,387
Other Retail	1,954,976	1,987,758	1,941,346	1,936,040
Auto/Transportation	3,236,393	3,462,852	3,639,346	3,613,741
Restaurant/Lodging	<u>2,544,180</u>	<u>2,595,692</u>	<u>2,573,052</u>	<u>2,451,376</u>
Total	\$ <u>16,001,121</u>	\$ <u>17,133,019</u>	\$ <u>17,361,316</u>	\$ <u>17,128,670</u>

### Sales and Use Tax Rates:

General Sales & Use	5%	5%	5%	5%
Lodging & Prepared Food	7%	7%	7%	7%
Short-term Auto Rental	10%	10%	10%	10%

**SOURCE:** Maine Revenue Services.

SCHEDULE 8

2005	2004	2003	2002	2001
\$ 1,974,352	\$ 1,875,710	\$ 1,714,115	\$ 1,611,253	\$ 1,731,182
2,464,352	2,344,687	2,013,655	1,846,797	1,738,224
1,343,160	1,278,427	1,253,829	1,215,792	1,182,825
2,986,708	3,001,887	2,897,803	2,795,288	2,668,766
1,824,692	1,708,180	1,587,861	1,497,463	1,458,366
3,695,730	3,744,219	3,698,571	3,519,874	3,446,679
2,319,463	2,238,980	2,146,647	2,093,837	2,010,496
\$ 16,608,457	\$ 16,192,090	\$ 15,312,481	\$ 14,580,304	\$ 14,236,538

				1/1/01 repeal snack tax;
5%	5%	5%	5%	7/1/00 - 5%
7%	7%	7%	7%	7%
10%	10%	10%	10%	10%



## SCHEDULE 9

### STATE OF MAINE CALCULATION OF LEGAL DEBT MARGIN FOR THE TEN YEARS ENDED JUNE 30, 2010

Pursuant to Article IX, Section 14 of the Maine Constitution, the Legislature shall not create any debt or debts on behalf of the State, which shall exceed \$2,000,000 in the aggregate, except to suppress insurrection, to repel invasion, or for purposes of war, and except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made. Whenever 2/3 of both Houses shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State as approved by such action. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10% of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1% of the total valuation of the State of Maine, whichever is the lesser.

There were no temporary loans outstanding at June 30, for the years presented below, which were subject to the Constitutional limitations.\*

All other general long-term bonds outstanding at June 30, for the years presented below, were issued pursuant to properly ratified legislation.

Calculations of temporary loans made during the year, yet paid back prior to year end are:

(Dollar Amounts Expressed in Thousands)

Year	Temporary Loans Outstanding During the Year*	Total Governmental Funds Revenue	% of Total Governmental Funds Revenue	10% of Total Governmental Funds Revenue Limit Amount	Total Valuation	% of Total Valuation	1% of Total Valuation Limit Amount
2010	\$41,245	\$7,083,733	.58%	\$708,373	\$170,336,350	.02%	\$1,703,336
2009	\$112,110	\$6,827,987	1.64%	\$682,799	\$168,006,150	.07%	\$1,680,062
2008	\$88,820	\$6,406,302	1.39%	\$640,630	\$162,744,550	.05%	\$1,627,446
2007	\$55,840	\$6,230,265	0.90%	\$623,027	\$148,946,200	.04%	\$1,489,462
2006	\$169,852	\$6,366,819	2.67%	\$636,682	\$133,628,600	.13%	\$1,336,286
2005	\$332,850	\$6,114,226	5.44%	\$611,423	\$118,038,020	.28%	\$1,180,380
2004	\$405,275	\$5,902,866	6.87%	\$590,287	\$104,219,950	.39%	\$1,042,200
2003	\$347,080	\$5,114,543	6.79%	\$511,454	\$94,034,050	.37%	\$940,341
2002	\$27,610	\$4,808,789	.57%	\$480,879	\$84,874,550	.03%	\$848,746
2001	\$5,000	\$4,608,742	.11%	\$460,874	\$78,389,400	.01%	\$783,894
2000	\$9,694	\$4,604,954	.21%	\$460,495	\$74,260,000	.02%	\$742,600

# STATE OF MAINE

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Nine Fiscal Years  
(Expressed in Thousands, Except Per Capita)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Governmental Activities Debt</b>				
General Obligation Bonds	\$ 500,100	\$ 529,990	\$ 475,835	\$ 448,760
MGFA Revenue Bonds	189,080	192,935	208,560	182,605
COPS and Other Financing Arrangements	76,291	50,079	66,493	79,886
Obligations Under Capital Leases	33,329	37,634	37,522	41,751
Loans Payable to Component Unit	<u>258,394</u>	<u>131,769</u>	<u>38,338</u>	<u>42,353</u>
Total Governmental Activities Debt	<u>1,057,194</u>	<u>942,407</u>	<u>826,748</u>	<u>795,355</u>
<b>Business-Type Activities Debt</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government Debt</b>	<u>\$ 1,057,194</u>	<u>\$ 942,407</u>	<u>\$ 826,748</u>	<u>\$ 795,355</u>
<hr/>				
<b>Debt Ratios</b>				
Ratio of Total Debt to Personal Income <sup>2</sup>	2.1%	2.0%	1.8%	1.8%
Per Capita <sup>3</sup>	\$ 779	\$ 698	\$ 611	\$ 592
<b>Net General Obligation Bonded Debt</b>				
Gross Bonded Debt	\$ 689,180	\$ 722,925	\$ 684,395	\$ 631,365
Less: Debt Service Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Bonded Debt	<u>\$ 689,180</u>	<u>\$ 722,925</u>	<u>\$ 684,395</u>	<u>\$ 631,365</u>
Ratio of Net Bonded Debt to Estimated Property Value <sup>4</sup>	0.4%	0.4%	0.4%	0.4%
Per Capita <sup>3</sup>	\$ 508	\$ 536	\$ 506	\$ 470

\* As restated

<sup>1</sup> Federal and other revenue streams associated with qualified transportation projects are pledged as security for GARVEE and TransCap bonds. These pledged future revenues offset the unspent proceeds of the bond received by a component unit.

<sup>2</sup> Personal income data can be found in Schedule 12.

<sup>3</sup> Population data can be found in Schedule 12.

<sup>4</sup> Estimated property value can be found on Schedule 9



## SCHEDULE 10

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 467,550	\$ 487,095	\$ 416,360	\$ 358,410	\$ 346,495
186,215	189,570	197,950	196,383	191,646
36,581	36,865	45,346	48,658	22,626
40,091	39,905	40,137	34,916	34,105
46,268	49,423	-	-	-
<u>776,705</u>	<u>802,858</u>	<u>699,793</u>	<u>638,367</u>	<u>594,872</u>
-	-	-	-	-
<u>\$ 776,705</u>	<u>\$ 802,858</u>	<u>\$ 699,793</u>	<u>\$ 638,367</u>	<u>\$ 594,872</u>
<hr/>				
1.8%	1.9%	1.8%	1.7%	1.7%
\$ 582	\$ 606	\$ 532	\$ 489	\$ 459
\$ 653,765	\$ 676,665	\$ 614,310	\$ 554,793	\$ 538,141
5,824	11,657	12,002	12,343	12,681
<u>\$ 647,941</u>	<u>\$ 665,008</u>	<u>\$ 602,308</u>	<u>\$ 542,450</u>	<u>\$ 525,460</u>
0.5%	0.6%	0.6%	0.6%	0.6%
\$ 486	\$ 502	\$ 458	\$ 415	\$ 406

## STATE OF MAINE PLEDGED FUTURE REVENUE COVERAGE

Last Nine Fiscal Years  
(Expressed in Thousands)

	<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>	
Grant Anticipation Revenue Vehicle (GARVEE) Bonds <sup>1</sup>								
Federal Aid Revenues	\$	150,868	\$	147,530	\$	146,454	\$	168,499
Annual Debt Service	\$	10,650	\$	6,384	\$	5,521	\$	5,579
Debt Service Coverage		7.06%		4.33%		3.77%		3.31%

The State has committed to appropriate each year a portion of the State's future federal transportation funds, in amounts sufficient to cover the principal and interest requirements of Maine Municipal Bond Bank's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations.

### Transportation Infrastructure Revenue (TRANSCAP) Bonds<sup>2</sup>

Pledged Revenue Stream	\$	38,124	\$	5,000	\$	N/A	\$	N/A
Annual Debt Service	\$	7,567	\$	658	\$	N/A	\$	N/A
Debt Service Coverage		19.85%		13.16%		N/A		N/A

The State committed a portion of specific future fees and taxes collected by the State of Maine as pledged revenues. There is no guarantee that the State will not repeal or reduce the rates of such taxes or the amounts of such fees or apportionments.

<sup>1</sup> Based on Federal Fiscal Year End

<sup>2</sup> Based on State Fiscal Year End

**SOURCE:** Department of Transportation.

## SCHEDULE 11

<b>2006</b>		<b>2005</b>		<b>2004</b>		<b>2003</b>		<b>2002</b>	
\$	167,405	\$	174,989	\$	N/A	\$	N/A	\$	N/A
\$	4,867	\$	366	\$	N/A	\$	N/A	\$	N/A
	2.91%		0.21%		N/A		N/A		N/A
\$	N/A	\$	N/A	\$	N/A	\$	N/A	\$	N/A
\$	N/A	\$	N/A	\$	N/A	\$	N/A	\$	N/A
	N/A		N/A		N/A		N/A		N/A

# STATE OF MAINE

## DEMOGRAPHIC INFORMATION

Last Nine Fiscal Years

	2010	2009	2008	2007
Maine:				
Population (in thousands) <sup>1</sup>	1,357	1,350	1,353	1,344
Total Personal Income (in millions) <sup>2</sup>	49,301	47,738	46,594	44,240
Per Capita Personal Income <sup>1</sup>	36,331	35,361	34,438	32,917
Unemployment Rate <sup>3</sup>	8.0%	8.6%	5.0%	4.5%
United States:				
Population (in thousands) <sup>4</sup>	309,629	306,803	304,060	302,633
Total Personal Income (in millions) <sup>2</sup>	12,462,673	11,959,177	12,146,939	11,595,412
Per Capita Personal Income <sup>1</sup>	40,250	38,980	39,949	38,315
Unemployment Rate <sup>3</sup>	9.5%	9.2%	5.5%	4.6%

<sup>1</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce through 2005. Maine State Planning Office Projection for 2006 and after.

<sup>2</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

<sup>3</sup> Local Area Unemployment Statistics Information and Analysis, Bureau of Labor Statistics, U.S. Department of Labor.

<sup>4</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce through 2005. U.S. Census Bureau for 2006 and after.

## SCHEDULE 12

2006	2005	2004	2003	2002
1,334	1,322	1,315	1,308	1,297
42,819	41,300	39,510	37,281	35,998
32,098	31,252	30,046	28,497	27,756
4.4%	4.6%	4.3%	4.9%	4.2%
299,103	296,410	293,657	290,850	287,985
10,882,821	10,251,639	9,705,504	9,157,257	8,872,871
36,385	34,586	33,050	31,484	30,810
4.6%	5%	5.6%	6.3%	5.8%



# SCHEDULE 13

## STATE OF MAINE PRINCIPAL EMPLOYERS - TOP 10 Not Seasonally Adjusted

Current Year and Nine Years Ago

<b>Employer</b>	<b>2010</b>			<b>2000</b>		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Maine State Government	15,001 - 16,000	1	2.6%	14,001 - 15,000	1	2.3%
Hannaford Brothers Co.	7,501 - 8,000	2	1.3%	7,001 - 7,500	3	1.1%
Wal Mart/Sam's Club	7,001 - 7,500	3	1.2%	4,501 - 5,000	6	0.7%
Department of Defense	6,501 - 7,000	4	1.1%	5,001 - 5,500	5	0.8%
Maine Medical Center	5,501 - 6,000	5	1.0%	-	-	-
Bath Iron Works Corporation	5,001 - 5,500	6	0.9%	7,001 - 7,500	2	1.1%
L L Bean, Inc	4,001 - 4,500	7	0.7%	5,501 - 6,000	4	0.9%
US Post Office	3,501 - 4,000	8	0.6%	-	-	-
Eastern Maine Medical Center	3,001 - 3,500	9	0.5%	-	-	-
University of Maine at Orono	3,001 - 3,500	10	0.5%	3,001 - 3,500	10	0.5%
Shaws Supermarkets, Inc	-	-	-	3,001 - 3,500	9	0.5%
Bank of America (formerly MBNA)	-	-	-	3,501 - 4,000	7	0.6%
Unum Life Insurance Co of America	-	-	-	3,501 - 4,000	8	0.6%
<b>Total</b>	<b>60,001 - 65,500</b>		<b>10.4%</b>	<b>56,001 - 61,500</b>		<b>9.1%</b>

Source: Maine Department of Labor, Center for Workforce Research and Information

Note:

Percentage of total state employment is based on the midpoints in the ranges given.

# STATE OF MAINE

## SCHEDULE OF STATE GOVERNMENT FULL TIME EQUIVALENT EMPLOYEES BY POLICY AREA

Last Nine Fiscal Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Arts, Heritage & Cultural Enrichment	94.1	95.9	105.4	107.4
Business Licensing & Regulation	413.0	411.5	420.0	413.2
Economic Development & Workforce Training	594.6	604.6	614.6	624.1
Education	195.3	201.6	207.9	209.6
Governmental Support & Operations	2,217.8	2,239.5	2,246.0	2,247.5
Health and Human Services	3,718.1	3,691.6	3,777.4	3,738.9
Justice and Protection	2,988.6	2,986.1	2,990.6	2,937.6
Labor	*	*	*	*
Natural Resources Development & Protection	1,490.9	1,498.4	1,530.0	1,523.2
Transportation Safety & Development	<u>2,123.2</u>	<u>2,277.5</u>	<u>2,277.5</u>	<u>2,300.7</u>
 Total Full Time Equivalents	 <u>13,835.8</u>	 <u>14,006.7</u>	 <u>14,169.5</u>	 <u>14,102.2</u>

\*Note: Statutory agency realignment among policy areas occurred in 2003.

**SOURCE:** Maine Bureau of Budget.



## SCHEDULE 14

2006	2005	2004	2003	2002
107.4	109.5	109.5	*	*
413.2	417.2	417.2	*	*
624.1	892.5	892.5	834.6	819.7
209.6	215.0	215.0	343.7	442.8
2,222.5	1,696.3	1,754.3	2,531.9	2,497.9
3,767.4	4,025.5	4,047.5	5,483.2	5,412.2
2,909.6	2,969.7	2,971.2	840.5	1,022.5
*	*	*	851.0	851.0
1,522.3	1,615.3	1,620.8	1,294.4	1,287.7
2,301.7	2,390.5	2,390.5	2,390.5	2,390.5
14,077.8	14,331.5	14,418.5	14,569.8	14,724.3

**STATE OF MAINE  
OPERATING INDICATORS AND CAPITAL INFORMATION**

Fiscal Years Ended June 30

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Operating Indicators by Function:					
Business Licensing & Regulation					
Number of licenses issued	95,541	91,861	95,052	90,281	98,259
Education					
Students enrolled in the free/reduced lunch program <sup>4</sup>	82,372	75,358	73,130	71,536	69,125
Economic Development & Workforce Training					
Unemployed persons	54,200	59,100	36,400	30,700	32,100
Governmental Support & Operations					
Return on investments	0.59%	1.52%	4.19%	5.16%	4.10%
Lottery tickets sales, in millions	217	211	229	234	229
Health and Human Services					
Percentage of population enrolled in MaineCare <sup>1</sup>	27%	26%	25%	26%	26%
Number of TANF cases <sup>2</sup>	13,686	12,849	12,479	12,631	12,821
Number of members served by Dirigo Health	31,323	29,936	28,745	24,110	18,067
Justice and Protection					
Average Number of Adult Inmates	2,167	2,177	2,038	2,060	2,078
Average Number of Juvenile Inmates	195	184	199	203	275
Number of guard troops	3,070	3,199	3,277	3,168	3,131
Number of cases tried in the court system	285,567	292,295	282,980	278,088	281,006
Natural Resources and Development					
Number of park passes purchased	11,443	10,073	10,963	10,092	9,016
Number of visitors to State parks	2,443,640	2,243,606	1,930,186	2,063,356	2,083,310
Number of hunting and fishing licenses sold <sup>3</sup>	503,425	499,821	500,367	494,231	485,794
Transportation Safety & Development					
Number of construction projects	173	124	116	271	195

<sup>1</sup> Based on the average enrollees over the fiscal year.

<sup>2</sup> Based on the average number of cases over the fiscal year.

<sup>3</sup> As of December.

<sup>4</sup> As of October of the school year.

**STATE OF MAINE  
CAPITAL ASSETS BY FUNCTION**

Fiscal Years Ended June 30

Capital Assets by Function:	2010	2009	2008	2007	2006
Governmental Support & Operations					
Vehicles controlled by Central Fleet Management	1,977	1,596	1,665	1,738	1,675
Health and Human Services					
Number of regional offices	18	18	18	18	18
Justice and Protection					
Number of correctional facilities	9	9	9	8	8
Number of armories	16	16	16	17	17
Number of State police barracks	8	8	8	8	8
Number of vehicles in Public Safety	515	605	654	541	521
Natural Resources and Development					
Total acreage of State parks	97,387	97,300	100,540	100,092	99,935
Number of State park buildings	552	533	530	526	519
Number of vehicles/watercraft in Conservation, Inland Fisheries & Wildlife, and Marine Resources	680	657	693	682	664
Transportation Safety & Development					
Number of DOT vehicles and equipment	1,308	1,268	1,446	1,625	1,163
Number of regional DOT active buildings	587	586	574	612	647